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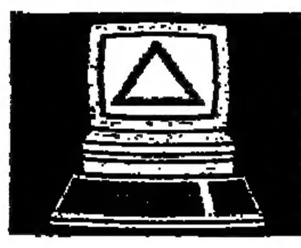
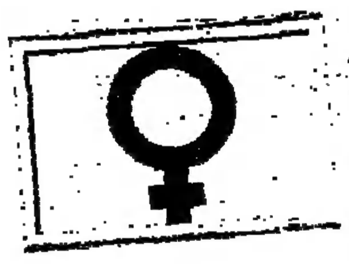
Management *Corporate governance in France* Page 8



Multimedia *Warning signs on the European superhighway* Page 9

Vladimir Gusinsky *Can Russia embrace a business culture?* Page 11



Arts *Women grab the top jobs* Page 13

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY DECEMBER 12 1994 — D8523A

US investors link funds for Ulster to fair employment

Key US investors at an international business conference in Belfast this week plan to tie future investment to fair employment in Northern Ireland and cross-community involvement in development projects. At a weekend conference in the US senior corporate and local authority figures made it clear US investor confidence in Northern Ireland depended on progress in the peace process. Page 7

Kinkel pressed to quit as FDP leader

Germany's foreign minister Klaus Kinkel, leader of Germany's Free Democrats, last night faced mounting pressure from his party to resign following a hostile reception by delegates at a special meeting in Gera, in the eastern state of Thuringia. Some senior party members have already suggested Wolfgang Gerhardt, party leader of Hesse, as a possible successor. Page 16

Poll defeats could hurt Rao: The authority of Indian prime minister P V Narasimha Rao could be undermined and the pace of pro-market economic reforms slowed by serious reverses for the ruling Congress (I) party in four state elections. The opposition called for an early general election. Page 16

Computer research rethink sought: Europe's leading computing services companies have told the European Commission that funds set aside for basic computer technology research would be better spent on information services to run on the "digital superhighway". Page 16; Media Futures, Page 9

Stanhope decision looms: Banks which loaned £140m ($229.6m) to Stanhope, UK property developer, meet tomorrow to decide whether to put the company into receivership. Stanhope's existing loan facility runs out next Monday. Page 17

Mid-air blast in jumbo: A mid-air explosion caused by a device under a seat on a Philippine Airlines Boeing 747 killed a Japanese engineer and injured 10 other Japanese passengers, forcing it to make an emergency landing in Okinawa. There were 287 passengers and 20 crew on the Manila-Tokyo flight. A Filipino Moslem separatist group, Abu Sayyaf, claimed responsibility.

Peace prize talks stall: Israeli and PLO leaders failed to agree over the Mideast peace process after receiving the 1994 Nobel Peace Prize for their Palestinian self-rule accord. Page 6

Spurt in drugs sales: Strong demand in the summer months helped to push drug sales in the world's top nine markets 5 per cent higher for the first nine months of 1994 than the same period last year. Page 6

Tougher EU solvency rules sought: The UK government plans to urge tougher European Union solvency rules for insurance companies exposed to the greatest uncertainty about potential liabilities from the cover they provide. Page 7

Search for sailors: Poor weather conditions disrupted the search for 22 crewmen still missing since the Ukrainian-flagged cargo ship Salvador Allende sank in the North Atlantic on Friday.

Go-ahead for S Korean groups: South Korea has granted permission for six domestic companies to send officials to North Korea to discuss possible investments. Page 5

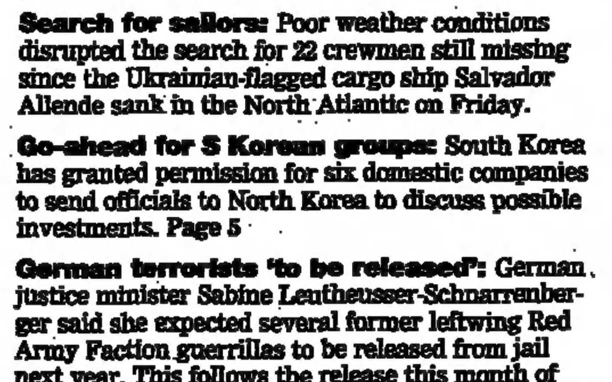
German terrorists 'to be released': German justice minister Sabine Leutheusser-Schnarrenberger said she expected several former leftwing Red Army Faction guerrillas to be released from jail next year. This follows the release this month of Irmgard Moeller, who spent 23 years in jail for the murder of three American soldiers.

Children die in fire: Three children were killed in a fire at a seven-storey apartment building in Remiremont, eastern France. Another 18 people were taken to hospital where four were in a "very serious condition".

Larsson's riches: Sweden's Magnus Larsson beat world No 1 Pete Sampras 7-6 4-6 7-6 6-4, to capture the biggest annual prize in tennis, the $1.5m Grand Slam Cup in Munich.

European Monetary System: In a week which saw the Bundesbank leave German interest rates untouched, the order of currencies in the EMS grid was also unchanged. The spread between strongest and weakest currency was similar to the previous week's. The Irish punt appeared unaffected by the country's political uncertainty. Currencies, Page 25

EMS: Grid December 9, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CzK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.60	Sweden	SKr16
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Esc225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Move to 'protect' civilians, says Yeltsin ■ Liberal protests in Moscow

Russia sends troops to Chechnya

By John Lloyd in Moscow

Russian troops and armour were sent into the republic of Chechnya yesterday in a move which President Boris Yeltsin claimed was intended to "protect" civilians and restore order in the self-declared independent state.

Liberal politicians in Moscow greeted the intervention with horror, warning that it heralded a lurch into authoritarian rule in Russia. In the Chechen capital of Grozny, about 1,500km south-east of Moscow, President Dzhokar Dudayev said the move would throw a "bloody blanket" across the north Caucasian region.

The attack, launched early yesterday morning, came from three directions – from the eastern republic of Dagestan, from the north western military base of Mozdok and from Vladikavkaz to the west. Reporters in the Mozdok area counted two columns of 200 tanks and armoured vehicles and trucks.

Jet aircraft streaked over the capital last night, and machine-gun fire could be heard on the outskirts of the city as panicking civilians, mostly women and children, fled. Russian television reported up to 40,000 troops had moved into the separatist region.

Two brief clashes were reported, with local news reports of up to four people dead and more than 10 wounded. No independent confirmation was possible. A presidential spokesman said that "there is no question of an attack on Grozny", and the troops had apparently stopped short of the capital.

Moscow has long condemned the Chechen government as a criminal regime and says Mr Dudayev's fighters are gangsters and terrorists. Mr Dudayev, a former Soviet air force general, declared Chechnya independent in 1991. Moscow does not recognise the claim and has backed anti-Dudayev Chechen forces.

The Russian government sees the Chechen state as a threat to the country's territorial integrity. It fears the Chechens could encourage other dissident ethnic groups to declare independence, leading to the break up of Russia.

A special commission under Mr Victor Chernomyrdin, the Russian prime minister, was reported to be working on a plan for reforms in Chechnya.

Mr Yeltsin was quoted by the Tass official news agency as saying: "A threat of full scale civil war [in Chechnya] carries a threat to talks, to the free expression of the will of the Chechen people. We should avert a breakdown in talks."

Talks had been scheduled last week between negotiators from Moscow and Grozny in Vladikavkaz. Last night, Mr Taimaz Abubakarov, the Chechen finance minister, said in Grozny: "The President [Dudayev] has told me – go there and talk. There will be talks. The Chechen government has never denied and does not deny now that this problem can be resolved peacefully."

However, Mr Abubakarov said he would not talk with leaders of the internal Chechen opposition, who had launched an abortive strike against Grozny two weeks ago. Russia – whose delegation is led by Mr Nikolai Yegorov, deputy prime minister for nationalities – has said the talks

Continued on Page 16

Show of force: an armoured personnel carrier rolls into the centre of Grozny, the capital of Chechnya, yesterday Picture: Reuter

Marching in where angels might fear to tread.......Page 3
Editorial Comment......Page 15

Delors bows out of French presidential race

Outgoing EU chief says he would not want to cohabit with the right

By David Buchan in Paris

Mr Jacques Delors yesterday finally and flatly ruled himself out of the French presidency race, citing personal reasons and his calculation that if victorious he would not have the parliamentary majority to put his ideas into action.

Mr Delors, who has led all other possible presidential candidates in the opinion polls for the past several weeks, said his decision not to contest the election next May was "irrevocable".

One element of his decision, which he revealed on prime time television last night, was his age of 69 and his desire to take a break after 10 years as European Commission president.

The former socialist minister, whose commission term ends in January, claimed that "if the Socialists can agree on a candidate soon, they still have four months before the election and they have a chance".

But few of his colleagues inside the Socialist party agree with that assessment and will be disappointed by Mr Delors' decision.

The move appears to make it highly probable that France's next president will be a conservative from the ruling centre-right majority that won 80 per cent of seats in the 1993 parliamentary election. That very probability is likely to pull in other rival candidates from the right, in addition to Mr Jacques Chirac, the mayor of Paris, who has already declared his candidacy, and Mr Edouard Balladur, the prime minister, who is expected to declare next month.

Spelling out his political calculation in damning terms for any alternative Socialist standard-bearer, Mr Delors said if he had run and been elected, he would have had to call fresh parliamentary elections to try to find a workable majority. But he said even with combining new elections with the popular issue of reducing the French presidential term from seven to five years, and making the electoral system more proportional to suit the Left, "I would not get a majority for the policies I believe in."

He said: "I would not want to cohabit with a government that did not share my views." He added that "I am not cut out to be a do-nothing king with all the power elsewhere." Seeking to ease the pain of fellow Socialists, he said their "disappointments of tomorrow would be worse than the regrets of today", if a socialist president were to be blocked by a conservative majority.

Mr Henri Emmanuelli, head of the Socialist party, said he would convene a party congress in January to select a presidential candidate. He himself is not in the running, if only because he is due to go on trial for alleged illicit campaign funding next spring. Mr Michel Rocard, who was ousted as party leader in June, does not seem inclined to come forward again.

Chile invited to take part in North American trade zone

By George Graham and Stephen Fidler in Miami

The leaders of the US, Mexico and Canada yesterday invited Chile to join them in the North American Free Trade Agreement, in what they described as the first step towards a free trade zone covering the whole of the Americas.

The announcement capped a three-day summit at which leaders from 34 countries in the Americas and the Caribbean promised to complete negotiations for the creation of the Free Trade Area of the Americas stretching from Alaska to Argentina by the year 2005.

Mr Jean Chrétien, prime minister of Canada, said talks would begin in the new year and full negotiations on Chile's accession to Nafta would start no later than May.

"For one year now we have been the three amigos. Starting today we will become the four amigos," he said, adding that Chile would lead the way for other countries to join Nafta.

US president Bill Clinton said the agreement was "further proof of our intentions to complete the free trade area of all the Americas by 2005". President Eduardo Frei of Chile said his country's entry into Nafta showed a broad trade agreement for the whole of the Americas was possible.

The Free Trade Area of the Americas, to be built, in part, on the foundations of existing trade agreements such as Nafta, was the central element in a five page declaration of principles signed by the leaders of 34 countries in north and south America and the Caribbean at the end of their three day summit in Miami.

In a 23-point plan, the leaders also spelt out specific follow-up actions intended to ensure that their lofty declarations do not turn out as empty as those made at the last Americas summit in Uruguay 27 years ago.

The process will begin next month with a meeting of trade officials, to be followed by ministerial meetings next June and in March 1996. The leaders also endorsed sustainable development goals and promised steps to strengthen democracy, still fledgling and fragile in many countries of the region, with measures to promote transparency in government and to combat corruption, money laundering and drug trafficking.

But some Latin American leaders, particularly President Albert Fujimori of Peru, castigated Mr Clinton for the US failure to do more to stop drug consumption.

Many delegates described the Miami summit as a watershed in relations between the US and the countries of Latin America.

However, some wondered whether Mr Clinton – who even before his party's devastating defeat in last month's congressional election was only narrowly able to win approval of Nafta and Gatt – would be able to maintain the US commitment to the "partnership for development and prosperity" declared at the summit.

The first test will be Mr Clinton's ability to secure authority from the Congress to negotiate Chile's accession to Nafta, which he will seek this year.

Pledging a market partnership.......Page 4

Kohl wins EU debate over plans for new members

By Lionel Barber in Essen

European Union leaders agreed to a road map for enlargement to the east and south at a weekend summit in Essen which confirmed Chancellor Helmut Kohl of Germany as Europe's leading power-broker.

Mr Kohl, as summit host, overcame opposition over plans for EU membership for the former communist countries of central and eastern Europe with a commitment to work towards a free trade zone in the Mediterranean.

The Essen accord offers the prospect of membership for a handful of central European countries, as well as Cyprus and Malta, around the turn of the century. But the leaders were unable to resolve long-running disputes over fishing rights and the tension between Greece and Turkey.

Before expansion, leaders agreed that the union must streamline its institutions and decision-making at the inter-governmental conference in 1996 to review the Maastricht treaty – a process which could provoke opposition in sovereignty-conscious states such as the UK and France.

Spain has offered to host a special summit in July when EU leaders will have a private brainstorming session on how to organise a union with as many as 27 members. Leaders declined to offer a firm timetable for the next round of enlargement.

However, the summit marked a commitment for Austria, Finland and Sweden to join the union on January 1 1995. It also saw the first appearance of leaders of Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania.

Essen marked the end of an era with the imminent departure of President François Mitterrand of France, whose term of office ends early next year, and Mr Jacques Delors, who hands the European Commission presidency to Mr Jacques Santer of Luxembourg.

German newspapers yesterday heralded Mr Kohl as "Mister

Continued on Page 16
Summit report, Page 2

CONTENTS

 No 32,547 Week No 50 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

ESSEN SUMMIT ■ End of an era as Mitterrand and Delors bow out ■ Challenge of enlargement lies ahead

Europe recovers its sense of direction

By Lionel Barber in Essen

On Saturday afternoon, toward the end of the Essen summit, the television cameras captured a glimpse of the new Europe in the making.

The shot took in the 12 existing members of the Union; Austria, Finland and Sweden, which will join on January 1; and, for the first time, six leaders of central and eastern Europe. At the head of this extended European family stood the towering father figure, Chancellor Helmut Kohl of Germany.

Mr Kohl was at his irrepressible best in Essen. He thundered against the Euro-pessimists. He prodded colleagues into compromise. And he offered a heartfelt tribute to Mr Jacques Delors, praising the outgoing Commission president as "one of the very few" in Europe who had supported German unification in the summer of 1989.

The upshot was a solid, harmonious summit which restored a sense of direction to the European Union. Leaders reached a consensus on the big economic issues of the day, balancing the need to strengthen competitiveness with a commitment to better training and help for the long-term unemployed.

On foreign affairs, the German-led push to build a wider Europe to the east was offset by a new Mediterranean strategy which will mean more aid for the EU's southern periphery, notably North Africa.

The Union's watchword is consolidation. In western Europe, leaders know that they must continue to squeeze budget deficits and inflation with higher-than-desirable interest rates, the goal being to keep alive the hope of monetary union by the end of the century. All leaders appear committed to this course, including Mr John Major, the British prime minister – though he is not yet prepared to say if the UK intends to sign up to a single currency.

Consolidation also applies to the six associated states in eastern Europe. As Mr Kohl stressed on Saturday, they must bear the main burden of transforming their former command economies so they are ready to withstand competition inside the single European market. All six – Poland, Hungary, the Czech republic, Slovakia, Bulgaria and Romania – will receive a blueprint or "pre-accession strategy" next spring setting out the steps they must take for future membership. The Baltic states and Slovenia will follow suit once they conclude negotiations for associate membership in 1995.

More broadly, it was clear that Essen marked the end of an era. First comes the departure of Mr Delors after 10 years in Brussels. His successor is Mr Jacques Santer, the Luxembourg prime minister, a man who prides himself on playing safe and avoiding unnecessary action. Just as significant was the final appearance of a frail-looking President François Mitterrand at a European Council summit.

The memory of the front-row French press rising in honour of the man who has ruled France since 1981 will linger; so too, the French president's gentle teasing of Mr Edouard Balladur, the patrician prime minister who is desperately seeking to cover up differences on Europe within his own ruling Gaullist party. "In life, nothing can be done without difficulty," said Mr Mitterrand, clearly suffering from the effects of chemotherapy, "nothing can be done in human society without pain."

The Delors-Kohl-Mitterrand axis has been the most important alliance inside the Union for the past decade. The Franco-German troika drove forward the plans for European monetary union, brushing aside the doubters led by Mrs Margaret Thatcher, then UK prime minister. Yet the end product – the Maastricht treaty – was an uneasy compromise between supra-national decision-making and loose inter-governmental co-operation.

The big question is whether this compromise will hold, or whether new deeper forms of integration must be found to cope with a Union which may contain as many as 27 members early next century. It is the essence of the 1996 inter-governmental conference to review the Maastricht treaty.

On Friday night, Mr Delors gave what participants described as a fascinating first look at these questions. He spelled out that a new, expanded Union would require reducing the number of Commissioners; changing the system of six-monthly rotating presidencies; altering the weighted voted system which gives smaller states a disproportionate influence over decision-making; and introducing more majority voting.

But he also made clear that the EU would have to reform its own policies to cope with eastern enlargement, including reform of the common agricultural policy and the multi-billion-ecu structural funds.

Each of these matters is highly contentious. Yet without change there cannot be a Great Leap Forward to the east. The challenge for EU leaders – barely begun at Essen – will be to prepare public opinion. Only that way can the mistakes of Maastricht be avoided.

EU turns its gaze towards the south

By Emma Tucker in Essen

After a tilt to the east, now a move south. Over the next 18 months the rotating presidency of the European Union will be in the hands of countries with Mediterranean coastlines, starting with France on January 1, to be followed by Spain and Italy. For the past six months the Union has been dominated by German preoccupations with its neighbours – the former communist countries of east and central Europe – and the expansion of the Union to Austria, Sweden and Finland.

France now intends to redress the balance by turning its attention firmly southwards, with issues such as the rise of Islamic fundamentalism, increased immigration from North Africa, terrorism and drugs high on its agenda.

Spain has announced that it will host a special EU-Mediterranean conference for all countries concerned during its presidency in the second half of next year. The aim will be to discuss relations between the Union and its southern neighbours and to agree political and economic guidelines for Euro-Mediterranean co-operation.

Such a dialogue, however, would stop short of full-fledged membership of the Union. Only Malta and Cyprus are preparing for accession, but negotiations will not begin until after the 1996 intergovernmental conference, which will address the future shape and structure of the Union.

EU leaders at the weekend showed their commitment to their southern neighbours by blessing a plan to embrace North Africa and the Middle East in a free trade zone, and pledging to "maintain an appropriate balance in the geographical allocation of community expenditure and commitments".

The EU's ultimate ambition is to create a Euro-Mediterranean economic area, a process to which it will contribute by more than doubling EU aid to enable participants to restructure their economies.

Reflecting the fears of southern member states of massive immigration, the EU leaders also expressed their concern at the emergence of extremist and fundamentalist forces in certain North African countries and pledged to continue sending economic support to Algeria.

Heads of state added that Israel, because of its high level of economic development, should enjoy a special status in its relations with EU.

Meanwhile, in spite of international protest over Turkey's recent decision to jail Kurdish members of the Turkish parliament for allegedly backing the banned Kurdish Workers party, EU leaders promised to conclude negotiations with Turkey on a customs union before the end of the year.

President François Mitterrand of France said the treatment of the Kurdish MPs was "extremely severe", adding that a failure by Turkey to improve its democratic performance would produce "bad sentiment" within the EU.

Mitterrand promises to solve row on Europol

By Emma Tucker

The prospects for a pan-European police intelligence agency improved considerably at the weekend after France promised to resolve differences over Europol's scope and role during the next six months.

President François Mitterrand stepped in to heal the rift by signing a commitment to reach agreement on setting up Europol by the next summit in Cannes in June.

Mr Jacques Delors, the president of the European commission, said the French commitment was one of the most important advances of the weekend.

Justice and home affairs ministers will have to find a "balanced solution" for the structure of the system, blocked until now not only by France but also by Spain and the UK.

France has insisted that national police officers attached to Europol must have standardised data pooled in the agency, and also more sensitive intelligence.

Germany, backed by the other member states, wants to restrict access to sensitive data except where Europol and national liaison officers attached to it are directly involved.

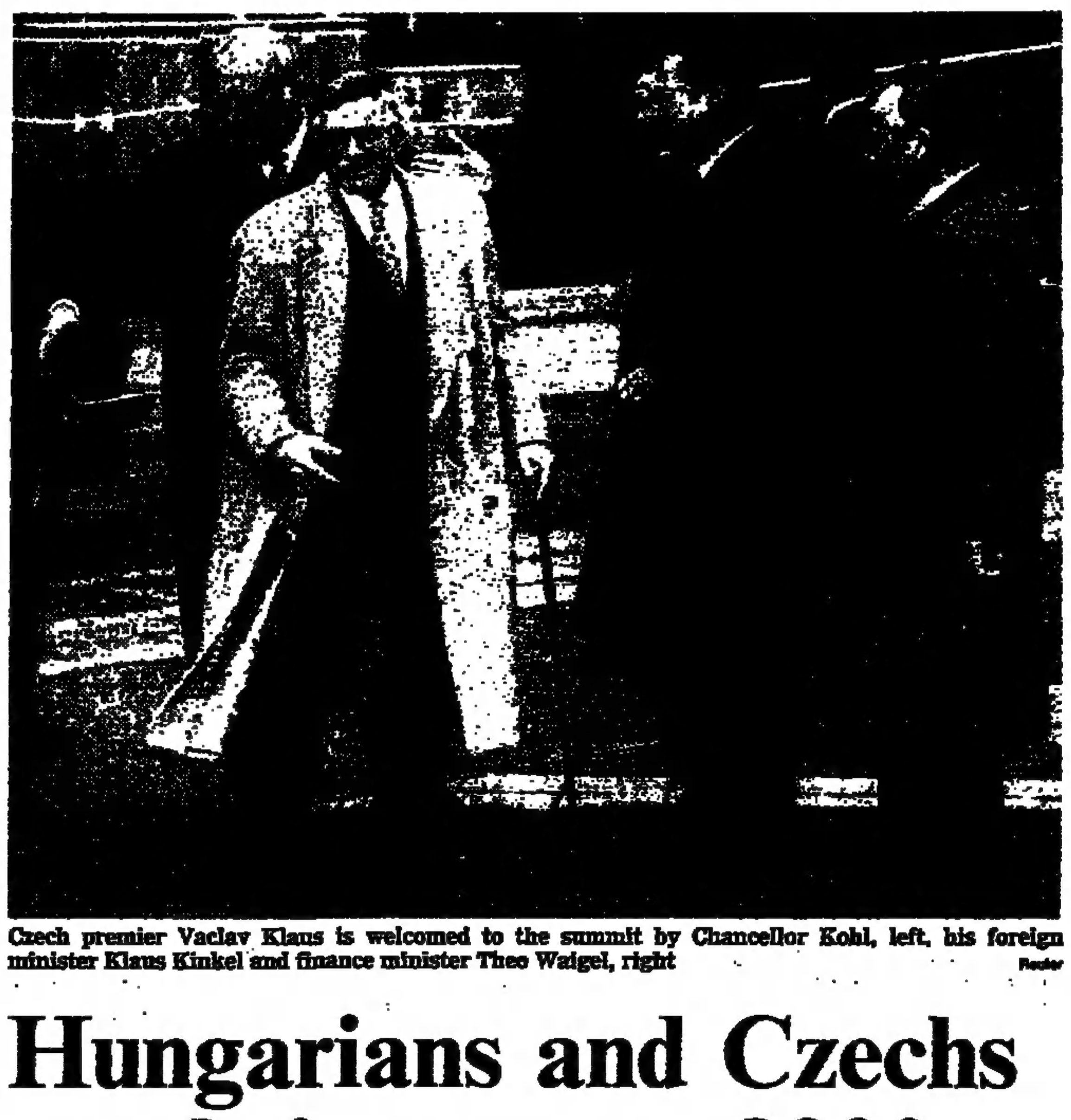
But Mr Charles Pasqua, the hardline French interior minister, is determined that Europol should remain firmly under national government control and has insisted that police force co-ordination should be a matter for inter-governmental co-operation rather than joint EU action.

Mr Mitterrand's commitment delighted Chancellor Helmut Kohl, who believes Europol will help stem the rising toll of crime in Germany, in particular car theft, and will assuage anxieties about the smuggling of nuclear material from Russia.

Mr Kohl left no room for doubt that the agency – to fight organised crime within the EU single market – was of the utmost importance. "We want it now," he said, banging the table at the summit's final press conference. "It is absolutely urgent that we get the convention in place."

The summiteers agreed to include terrorism within Europol's scope, a move which will please Spain.

The UK, which has opposed giving the European court jurisdiction to hear complaints about Europol conduct, hinted yesterday that its differences could be resolved by June.



Czech premier Vaclav Klaus is welcomed to the summit by Chancellor Kohl, left, his foreign minister Klaus Kinkel and finance minister Theo Waigel, right Reuter

Hungarians and Czechs set their eyes on 2000

By Christopher Parkes in Essen

Hungary and the Czech Republic have set themselves a five-year timetable for joining the European Union. Although EU leaders refused to fix a timetable for enlargement at the weekend, the two most economically advanced countries in the former communist bloc publicly set their sights on the year 2000 as the nearest feasible date of entry.

Mr Gyula Horn, Hungarian prime minister, attempted to steal a march on the other aspiring members, claiming that his country was the furthest ahead and a prime candidate for early entry. The 2000 deadline was ambitious but realistic, said his foreign minister, Mr Laszlo Kovacs.

Mr Vaclav Klaus, the Czech leader said his government would advance reforms and put a case for early entry.

While Romanian officials were anxious that the applicants should stick together rather than jockey for advantage, the EU leaders specifically ruled out accession *en bloc*, and stressed membership negotiations would be carried out case by case. They also pressed the council of ministers and the European commission to prepare so-called "Europe agreements" with Slovenia, Lithuania, Estonia and Latvia so they could be included in the overall enlargement strategy.

Representatives of the other putative members – Poland, the Czechs, Slovakia and Bulgaria – were more restrained and contented themselves mainly with reflections on the symbolic nature of their unprecedented participation at the EU summit talks. Mr Waldemar Pawlak, the Polish premier, said the meeting marked an historic occasion, although a timetable for entry might have helped encourage speedier reforms in his country.

For their part the six planned to increase co-operation among themselves to improve political and economic stability along the EU's eastern flank, according to Mr Horn. That was equally important as a preparation for possible membership of Nato, he said.

But German Chancellor Helmut Kohl, the man leading the drive for eastwards enlargement of the EU, said it was important not to arouse false hopes among the candidates. They would have to carry most of the burdens associated with aligning their economic, financial and legal systems to those of the EU, he added.

Apparently under prompting from France, which is more pre-occupied with "balancing" EU policies to the east with those towards the Mediterranean region, he and his officials stressed that a planned programme of regular top-level contacts did not constitute entry negotiations.

On the contrary, the summit agreed that substantive talks on extension eastwards would have to wait until after the 1996 inter-governmental conference, called to review the EU's future institutional needs, which could last two years.

Mr John Major, the UK prime minister, noted that forging monetary union would be "exceptionally difficult" in a union of 15 members and even tougher with more.

Responding to a warning that enlargement made reforms of regional and agricultural policies essential, the summit participants endorsed a modest aid and advisory programme for the aspirants, and asked the commission to prepare a study on the impact of a further enlargement on the agricultural budget – the biggest item of EU spending.

Easy ride for Major as the Union tilts his way

By Philip Stephens, Political Editor

Mr John Major had nothing to fear in Essen. The European Union, the most dangerous element in his domestic political troubles, was treading water. Grand initiatives await the outcome of next spring's French presidential elections.

The summit communique had plenty with which Mr Major could agree. The free-market language on competitiveness, the Ecu300m (£236m) in aid to Northern Ireland, endorsement of the United Nation's efforts in Bosnia, and backing for initiatives to promote subsidiarity and combat fraud were signs Britain's voice was being heard.

But Mr Major has only six months to end the civil war in the Conservative party over Europe and to prepare a credible negotiating position for the 1996 intergovernmental conference. Ministers will soon discuss a series of position papers around which Mr Douglas Hurd, the foreign secretary, believes the bulk of the Conservative party can unite. The papers set two priorities: to contain the independence of EU institutions; and to promote a "positive" agenda to reinforce and expand the inter-governmental dimension to the Union.

A central idea is for a slimmed-down Commission concerned more with enforcing existing rules than with producing new legislation. It might well retain the power to initiate legislation but could see its freedom of action circumscribed by an obligation to work to a programme laid down by the council of ministers.

The focus of the Strasbourg parliament should be on more extensive scrutiny – particularly over the EU's financial operations – rather than on extending its authority vis-a-vis national governments.

Britain wants institutional advances concentrated on inter-governmental co-operation. Mr Hurd has drawn up proposals for a more cohesive EU approach to security and defence designed to provide a distinctive European role within the Atlantic alliance.

There is no guarantee that such a strategy will re-unite the Tory party. The Eurosceptics might yet bring down Mr Major. To meet the threat the odds are that any British package for the IGC will be accompanied by the promise from the prime minister of a referendum on the next stage of EU integration.

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EUROPEAN NEWS DIGEST

Brussels' search for success

The European Commission will this week announce its backing for a Ecu1.2m ($1.52m) project to try to identify Europe's fastest growing companies and the factors behind their success. The Commission, which is providing more than Ecu500,000 for the project, recognises there is little understanding in Europe of entrepreneur-led companies and that Union policy often appears preoccupied with large industry, despite small businesses' importance as the main generators of jobs. If the research successfully identifies rapidly growing companies and highlights their pre-occupations, it could lead to the establishment of a permanent body in Brussels representing their interests. Researchers, led by accountants Ernst & Young, will scour the Union and EFTA countries for the 500 most rapidly growing companies that are prepared to share the reasons for their growth. About 50 companies will be featured at an international conference in late 1995 where the initial findings of the research will be presented. The first part of the research will attempt to identify the so-called "dynamic" companies, private or quoted, that had 500 employees in 1988 and now employ at least 20 per cent more people; the second part will cover "starters" – companies that have grown to at least 50 employees since 1988. Finally the project will look for companies which have doubled employment from at least 50 employees since 1988. *Richard Gourlay, London*

State oil companies dominate

State-owned oil companies continue to dominate the top rankings of international oil companies in spite of a spate of privatisations in the industry. A report published today by Petroleum Intelligence Weekly, a US newsletter, on the world's top 50 oil companies says that 28 are fully or partly state-owned. But it predicts that privatisations planned over the next few years will reverse this. The report shows that Petroleos de Venezuela has overtaken Shell, the Anglo-Dutch oil group, to move into second place behind Saudi Aramco. Other state oil companies which have moved up in the rankings include the National Iranian Oil Company, Pertamina of Indonesia and Kuwait Petroleum Corporation. Private companies in the top 10 include Exxon, the US energy group, in fourth place. Two other US companies, Mobil and Chevron, are ranked 7th and 8th respectively, while British Petroleum is in 9th place. On the basis of production, however, Gazprom, Russia's monopoly gas company, moves into second place behind Saudi Aramco, although it ranks 33rd overall. Only Shell among the private companies ranked in the top 10 by production. Private companies continue, however, to dominate the list of the largest refining and marketing companies. The rankings are determined by six operational criteria covering upstream production activities as well as refining capacity and product sales. *Robert Corzine, Energy Correspondent*

European consumers gloomy

Business confidence is rising fast in Europe on the back of the broader economic recovery, but many consumers do not appear to be seeing the benefits, the European Commission says. The preliminary results of its business and consumer confidence survey for November showed that consumer confidence remained unchanged between October and November, after rising rapidly since the start of the year. Industrial confidence, by contrast, rose for the 16th successive month, almost reaching record levels. The lowest level of consumer confidence was recorded in Portugal, where consumers remain deeply gloomy about their country's economic prospects over the next 12 months. Consumers in Italy were the second most pessimistic, although this largely reflected concern about their household finances rather than the country's economic prospects as a whole. The country with the strongest consumer confidence was Denmark, where consumers were very upbeat both about their country's economic prospects over the next year and about their own finances. Consumers in Ireland were also relatively hopeful. *Gillian Tett, Economics Staff*

Senators pass bankruptcy law

The Romanian Senate has passed a much-delayed bankruptcy bill, one of the most important pieces of legislation needed in the country's transition to a market economy. The bill, which has been blocked by conservatives in the ruling left-wing party for nearly two years, is due to be discussed by the lower house of parliament this week. The government agreed to pass the bill this year as a condition of a $700m IMF loan package signed last May. The passage of the bill coincides with a growing liquidity crisis at several large state companies, with many unable to pay suppliers or wages. According to central bank figures, inter-enterprise debt has jumped to more than Lei7,000bn ($3.88bn) but until now only a handful of small companies have been forced into liquidation in cases brought by banks under a pre-communist commercial code. The delay in paying wages has increased social tensions. Thousands of steel workers in the Transylvanian town of Resita yesterday entered the sixth day of street protests sparked by non-payment of wages for two months. *Virginia Marsh, Budapest*

Serbs turn back UN chief

General Sir Michael Rose, left, commander of UN troops in Bosnia, was yesterday blocked by Bosnian Serbs from visiting 1,200 Bangladeshi UN troops trapped in Bihac, a UN safe area. This slap in the face comes after Krajina Serbs on Saturday stopped the British commander from crossing Serb-held territory in Croatia. Also at the weekend, Bosnian Serb forces hijacked a UN fuel convoy and banned peacekeepers from escorting humanitarian relief. The UN yesterday said it would have to curtail sniper patrols round Sarajevo because it had received no fuel deliveries for three weeks. The newest restrictions make it impossible to carry out part of the UN mission, which is to secure the passage of humanitarian aid by providing an armed escort of convoys throughout Bosnia. But Bosnian Serbs also freed at the weekend nearly 200 UN troops held hostage since Nato launched air strikes on Serbs targets and allowed a food convoy into Sarajevo.

Fighting has intensified in western Bosnia-Hercegovina, where Bosnian Croats are backed by regular troops from Croatia. Croatian officials at the weekend admitted that their army had entered Bosnia to help their Moslem allies by easing the pressure on the northwestern Moslem enclave of Bihac, which is sandwiched by Serb forces. The UN has reversed its criticism of Croatian involvement on the grounds that Croatian troops had been "invited" into Bosnia by the Moslem-led Bosnian government. But Croatian intervention threatens to undermine international efforts to normalise relations between rebel Serbs in the breakaway state of Krajina, in Croatia, and Zagreb. *Laura Silber, Belgrade*

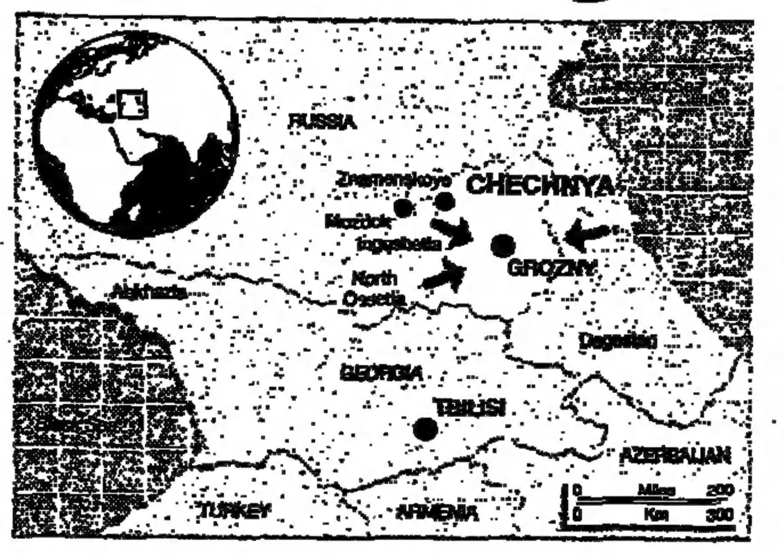
Tapie quits football club

Mr Bernard Tapie, the left-wing French politician and businessman who is fighting bankruptcy, yesterday resigned as president of Olympique Marseille football club and said he would sell his majority holding in the club. Mr Tapie, who was banned from running the club by French football authorities following the alleged rigging of a league match against Valenciennes last year, said he would be giving up all his shares in the club next week. Mr Tapie at present heads the company owning two-thirds of the club, which won five consecutive French championships and was the first French team to win the European cup. Marseille were relegated to the second division last season because of the rigging scandal and bankruptcy. Mr Pierre Cangioni, a former television anchorman, will take over as president. *Reuter, Marseilles*

As Russian tanks roll in, democrats in Moscow fear the provocation of a second Afghanistan

Moscow protests greet Chechnya invasion

By John Lloyd and John Thornhill in Moscow



"There is no more important task for Russia's democrats," wrote Russia's best known liberal columnist in the Izvestiya newspaper last week, "than to ensure that a decision to use military force in Chechnya is not made".

Mr Otto Latsis drew a parallel with the British struggle against IRA terrorism in Northern Ireland. But the parallel went only so far. "A centuries' old British democracy can survive such a war," he wrote; "the young Russian democracy would not".

The democrats have failed in the task he described and their disappointment – and not only theirs – will dominate the Russian political scene in the coming weeks. Last night, in the bitter cold, several hundred people gathered in Pushkin Square – the traditional place of protest in the Soviet period – to condemn the invasion. Chechen representatives gave passionate speeches demanding that Russia withdraw its troops, as groups of women wept and passers-by jeered.

"At the time of the fall of the Soviet Union, the absolute majority of the Chechen people supported our independence from Russia," said one Chechen speaker. "This action is a return to the terrible times in the relations between our peoples. The integration of the Chechen people into Russia should be under a treaty, not by force."

Russians, too, protested against the use of force. Under a banner proclaiming "An end to democracy? No to a second Afghanistan," one Russian protester said: "If we should have learned anything in this country it is that you cannot solve those problems by military means."

Is the political class of this mind? Yes and no. At a closed session last Friday, the Duma, the lower house of parliament, debated the issue with – from the reports – more heat than light.

Deputies from all sides condemned the government but the condemnation was centred on the bungling of a covert operation to topple Chechen leader General Dzhokar Dudayev two weeks ago, rather than on matters of principle.

The revelation by the Russian prisoners taken during that operation that the Federal Intelligence Service had recruited them to spearhead the "uprising by the Chechen opposition" has been grist to many mills, as parties who dislike the present administration find an issue which, many say, could destroy President Boris Yeltsin.

Curiously, the one leading politician to say clearly that the troops should be sent in is a liberal – Mr Boris Fyodorov, the leader of the Liberal Democratic Union (not to be confused with Mr Vladimir Zhirinovsky's Liberal Democratic party). Mr Fyodorov said at the weekend: "Chechnya is part of Russia. There are bandit groups operating on its territory. It persists in an unlawful regime. Of course the administration must act. Only why has it taken so long?"

Others would not disagree with that, but would add that the action now courts a much wider war than merely a limited military operation in Grozny, the Chechen capital.

The instability of the Caucasus, the common grudge of many in the region that they were deported (and murdered) by Soviet troops during the war and their common Moslem religion, could draw them together, overcome their notoriously bitter and perpetual feuding and present them as a united front against Russia – as they were, for a time, in the mid 19th century.

The parliamentary debates have shown too, that the politicians as a whole are more concerned to destabilise the Yeltsin government and administration than to offer an alternative strategy for the solution of the Chechnya problem – beyond appealing to "more negotiations" and "a peaceful way".

The other members of the Commonwealth of Independent States are likely to keep well clear: only Mr Vafa Guluzade, the foreign policy aid to President Aliev of Azerbaijan, also a Moslem, Caucasian state, commented: "It's very sad: Russia many times said it would avoid bloodshed." Their interests are in keeping friendly with Russia: they will make neutral noises as long as they can.

Although Mr Yeltsin's order signed on Friday made possible yesterday's intervention, the president is as usual inscrutable in this matter; indeed, he was in hospital yesterday awaiting what was described as a minor operation. The democrats say they believe he has been taken over by the militarists but his aims so far seem limited to forcing Gen Dudayev to negotiate in front of a cannon.

Yeltsin's troops march in where angels might fear to tread . . .

By John Lloyd in Moscow

Three moments in history define the Chechen relationship to Russia: its decades of struggle against Russian expansion in the Caucasus, culminating in forced submission in the 1860s; the Soviet repressions of the 1920s, reaching an apogee in 1943-1944 when the Chechens, with the Karachai, Ingush and the Balkar peoples, were deported (and many killed) for alleged collaboration with the Nazi invasion of the Caucasus; and the contemporary period, when under the leadership of General Dzhokar Dudayev in November 1991, the republic declared independence from Russia.

The first gives a foundation of national pride; the second a pervasive national grievance; the third, a basis for national independence which, though compromised by the arbitrary and allegedly corrupt rule of General Dudayev, appears nonetheless strongly supported by Chechnya's 1m people.

More than any other of the "small peoples" of Russia, the Chechens have retained warrior traditions and have invested heavily in their own institutions – including the Sunni Moslem faith. Reviled by Russians, especially Muscovites, as criminals, they are also given a wide birth for their reputed ruthlessness. President Boris Yeltsin is choosing to swat a formidable fly.

General Dudayev's declaration of independence at the head of a coalition of nationalist forces was followed by armed Russian intervention. The Russian troops got little further than the airport and exchanged only sporadic fire before being withdrawn when the Russian supreme soviet refused to ratify their involvement.

Since then, the Dudayev regime has become a centre of anti-Russian sentiment in the North Caucasian region. He gave sanctuary to the deposed president of Georgia, the late Zviad Gamsakhurdia, and assisted his abortive effort to re-establish his presidency last year. He strongly backed the Confederation of Mountain Peoples, which supported the successful efforts of Abkhazia to break away from Georgia. Within his borders, the 300,000 Russian speakers dwindled to an estimated 100,000.

Internal opposition became evident in spring of 1993, when an impeachment motion was put to the parliament – after which Gen Dudayev dissolved it, quelling a minor armed uprising. Several opposition groups were formed, the strongest of which gathered round Mr Umar Avturkhanov, who operates from his home base in the town of Znamenskoye, 40km from Grozny. Mr Dodu Zavgayev, leader of the Chechen supreme soviet abolished by Gen Dudayev in 1991, is now a member of Mr Yeltsin's administration and also a focus of opposition, as is Mr Ruslan Khasbulatov, the most famous Chechen, former leader of the Russian supreme soviet and once the Russian president's bitterest enemy.

The opposition forces, with Russian backing, attacked Grozny two weeks ago: their tanks and troops reached the centre of the capital, but were halted and thrown back, leaving 21 Russians as prisoners. The prisoners' story – that they had been recruited from the Kantemirov division by the Federal Intelligence Service (the successor ot the KGB) to act as "advisers" to the opposition – inflamed Russian liberal opinion against the Russian administration's attempts to achieve the downfall of Gen Dudayev by stealth.

The failure of the opposition attack was followed by a harsh decree from President Yeltsin, demanding what amounted to a surrender by Gen Dudayev. Russian troops poured into bases around the Chechen border.


Yeltsin: swatting a formidable fly

The past week has been one of wildly differing signals: a strengthening of the troops and official declarations that constitutional order must be restored in Chechnya, mixed with a bizarre negotiation between Gen Dudayev and the Russian defence minister General Pavel Grachev last week, at which the two were seen to be on friendly terms and the latter quoted as saying only peaceful means would be used to settle the conflict.

That last seems to have been a feint, either unconscious or deliberate. The troops are committed. A fourth critical moment in Chechnya's history opens.

Bonn group's tiller loses its steady hand

By Michael Lindemann in Bonn

The announcement that Mr Helmut Ricke, chief executive of Deutsche Telekom, was to step down two years early came as a surprise for employees of the German state-owned monopoly. His steady style had been reassuring as the company prepared for transition from a leviathan, employing 230,000 people, to an agile, private telecoms operator.

His departure, made public last Friday, is not likely immediately to affect the planned privatisation but his knowledge of the Bonn-based company and his part in its restructuring will be sorely missed. "He leaves behind a mess in which only he knew his way around," one observer remarked.

There had been complaints about his indecisiveness and suggestions he lacked the vision to run one of the world's largest telecoms operators. But Mr Ricke, who had taken over the helm of the company in 1990, was supposed to have stayed until the end of 1996 to tie up the loose ends after Deutsche Telekom becomes a joint stock company – in three weeks' time – and oversee the partial privatisation through a DM15bn (£6.1bn) equity issue, one of the largest in the world. However, at the beginning of December Mr Ricke told Mr Wolfgang Bötsch, the post minister, that he wanted to leave and the latter did not try to persuade him to stay.

Mr Wilhelm Pällmann, a fellow board member, will take over temporarily when Mr Ricke leaves at the beginning of January. Mr Pällmann managed Deutsche Telekom's expansion into former East Germany, a venture regarded as successful, but he is not expected to stay long, if only because he is already 62.

That leaves the company searching for a new chief executive. Mr Joachim Kröske, the finance director, and Mr Gerd Tenzer, who runs the company's networks, are the favourites on the inside. However, Mr Ricke was brought in from outside and it seems equally likely that the new chief will come from private industry.

The decision to leave came after a period when little had been going right for Deutsche Telekom. The last straw for Mr Ricke was when he discovered that the new 10-man supervisory board included five political appointees.

But other things have gone wrong. The joint venture with France Telecom, embarked upon last year and regarded as the cornerstone of Mr Ricke's drive to internationalise the company, has not yet been approved by the European Commission and there are signs that it may be blocked because Europe's two largest operators would have a dominant position.

There are also fears about the joint venture with Sprint, the US long-distance carrier with whom Deutsche Telekom and France Telecom signed a memorandum of understanding earlier this year. The two sides were supposed to have completed initial negotiations recently but the deadline has been extended into early next year, insiders say, suggesting agreement may be impossible.

Mr Ricke has also been fighting to control the damage from press reports alleging that thousands of Deutsche Telekom employees were working with organised criminals and pocketing the money from overseas phone calls.

But Mr Ricke's departure also presents Deutsche Telekom with new opportunities. Several other members of the nine-man management board are due to retire or leave early next year, giving Mr Bötsch a chance to make an almost clean sweep.

Mr Bötsch is a member of the Christian Social Union – the Bavarian sister party of Chancellor Helmut Kohl's Christian Democratic Union – which preaches the gospel of privatisation louder than any other party in Germany. He may give Deutsche Telekom a stronger dose of that gospel.

Stephen Fidler and **George Graham** sum up a summit of unequals that came good

Pledging a market partnership

For a gathering that was being dismissed a few weeks ago as little more than a grand photo-opportunity, the summit of the 34 elected leaders of the Americas delivered more of substance than almost anyone had expected.

Its commitments to begin work next month towards negotiating a Free Trade Area of the Americas, to make substantial progress towards that end by the turn of the century and to complete negotiations by 2005, were all unexpected a few weeks ago. The separate announcement that talks would begin right away to bring Chile into the North American Free Trade Agreement of the US, Canada and Mexico added substance to the promises.

The host, President Bill Clinton, described a open free trade area that "will stretch from Alaska to Argentina" as the "key building block in our creation of a partnership for prosperity." If current trends continued, he said, "this hemisphere will be the world's largest market – more than 850m consumers buying $13 trillion of goods and services."

Such high-flown ambitions are customary summit fare. When the presidents of the Americas last met, in 1967 at Punta del Este in Uruguay, they resolved to "create progressively, beginning in 1970, the Latin American Common Market" which would be "substantially in operation in 15 years". Nothing came of that.

However, the differences between then and now are substantial, not only because the US is now pledging itself as part of the proposed free trade zone, rather than as a supportive onlooker in 1967.

Mr Enrique Iglesias, president of the Inter-American Development Bank, was a young diplomat 27 years ago. He has observed both meetings and says the difference is profound. Washington, the Uruguayan says, has realised the potential in its own hemisphere; Latin American states have ousted their military leaders and have become less hostile to the US and more outward-looking in economic policy.

Yet these changes do not explain the difference between the summit's outcome and its dim prospects a few weeks ago. Part of the explanation may lie in what seems to have been a sincere US wish not to impose an agenda, which meant that discussions only gelled as the summit deadline approached.

Participants in the pre-summit deliberations suggest that three other factors were influential: the Asia Pacific Economic Co-operation (Apec) forum, the European Union, and the Congressional elections in the US last month.

US officials say that the decision, by Apec leaders in Jakarta last month, on the establishment of a Pacific free trade zone, with two target dates of 2010 and 2020, helped to goad larger Latin American countries into accepting a deadline in their region.

"The mood began to shift at the first meeting after the Apec summit," a senior Clinton administration official said.

Furthermore, just two weeks ago, the EU announced its intention to negotiate a free trade accord with Mercosur, the trade pact which groups Brazil, Argentina, Paraguay and Uruguay, and is due to become a customs union at the start of next year. One sherpa preparing the Miami summit declaration said that this had galvanised the preliminary negotiations.

President Clinton acknowledges applause at the summit Photo: Reuter

But the most significant change may have come via US voting booths. First, without Congressional ratification of the Uruguay Round of trade talks, not obtained until 10 days ago, any trade pledges by the US would have looked hollow. Second, because of Republican party victories in the mid-term elections last month, the administration may find it easier, after next month, to win Congressional agreement to extend Nafta to Chile than if the legislature were still full of fellow Democrats, many of them suspicious of free trade.

Many issues, of course, remain to be resolved before the summit trade pledges become a reality. Mr Gert Rosenthal, head of the UN Economic Commission for Latin America and the Caribbean, says the 2005 deadline has little practical effect but the pledge to start talks immediately "is what is important".

In contrast to Apec's vague promises, the talks in the Americas should involve governments in practical trade discussions at a relatively early stage and, say officials, keep integration moving forward. "What we don't want is to lose momentum," said the US trade representative, Mr Mickey Kantor.

Even so, many who have agreed to the date also see it as an ambitious, perhaps unrealistic, target. It will be hard, for example, to make existing Latin American trade zones – some of them customs unions with common external tariffs – compatible with Nafta, although the summit pledged efforts to reduce the inconsistencies among the various groupings.

Most problematic will be the single-product economies of the Caribbean. Mr Roy MacLaren, Canada's trade minister, said that, while the small states of central America want to move quickly into Nafta, "I sense that some of the small countries of the Caribbean will have the most difficulty meeting the timetable, the minister added."

There is also a likely clash over the Nafta side agreements on environmental protection and workers' rights. Some Latin Americans are bound to see them as an excessive invasion of sovereignty, even though there is little evidence that they have had much practical impact within Nafta.

The US administration fought hard to win the inclusion of labour and environmental language in the trade clauses of the Miami declaration, and administration officials say there can be no question of lower standards in the future free trade area.

"Nafta becomes a benchmark and we build from there. Clearly everyone understands that Nafta is the floor, in all respects", including labour and environment, a senior administration official said.

However, while there is consensus among the three Nafta governments that the main agreement should not be reopened, there are differences about the importance of the side accords.

Some Republican congressmen have already indicated they back extending the free trade zone to Chile, but want the side accords dropped.

The administration will seek from Congress, next spring, "fast track" negotiating authority to let it negotiate a trade pact without having Congress tinker with the details later. Before then, the administration must decide how broad a fast track authority to propose: whether to limit it to Chile's accession to Nafta, and whether to include the labour and environmental side agreements.

The worry for Latin America is that its rapprochement with the US has been forged with a weak administration in Washington. If Mr Clinton cannot win fast track for Chile, his ability to fulfil the US side of the hemispheric free-trade agenda will be severely, if not fatally, weakened. Then the central American president, who said on Saturday that the Miami meeting had "broken 27 years of solitude", will be forced to eat his words.

See Observer

AMERICAS NEWS DIGEST

US to start talks on bananas with Caribbean

The US agreed this weekend to start technical talks with Caribbean countries to try to resolve their dispute over bananas.

Although the US last week smoothed the path of the Miami summit, by agreeing to drop its opposition to the European Union's request for a Gatt waiver for its preferential regime for banana imports from the Caribbean, Mr Mickey Kantor, the US trade representative, said he would continue an investigation of the EU banana regime under the US Section 301 rules.

"Our problem is with the discriminatory practices of the European Union, not with the benefits Caribbean countries have," Mr Kantor said.

Mr Owen Arthur, the new prime minister of Barbados, said the banana issue would be "a clear test" of whether it would be possible for large and small countries to co-exist in the proposed Free Trade Area of the Americas which has emerged from the summit.

"The banana industry is not just the production of a commodity for us, but it embodies the entire economic culture," Mr Arthur added. *George Graham, Miami*

Haiti cleared for loan

The impoverished government of Haiti could receive a $20m (£12.7m) emergency loan from the World Bank before Christmas, following the clearance of its $85m arrears at the bank, the International Monetary Fund and the Inter-American Development Bank by a US-led consortium of donors from Asia, Europe and Latin America.

Ms Marie Michèle Rey, Haitian finance minister, said the money would "get us through a difficult time to the end of January". By then, she hopes to have an agreement with the IMF on a national economic programme that would open the doors to more international lending, and to have aid pledges from donor countries.

After the clearance of arrears, the newly reinstated government of President Jean-Bertrand Aristide will be eligible for project loans totalling more than $200m and approved by development banks, which were frozen after the military coup that ousted President Aristide in 1991. *George Graham, Miami*

Threat to Cuba's partners

Congressman Robert Torricelli, a New Jersey Democrat and a promoter of the Cuban Democracy Act which tightened the US embargo against Cuba in 1992, is promising new legislation in Congress next year to attack businesses in other countries which work with Cuba.

He said he would introduce a bill requiring the US government to deny visas to directors of companies which work with "stolen US property" in Cuba. This would target particularly British, Spanish and Mexican businesses that have bought expropriated assets in Cuban industries, such as cement and oil.

President Fidel Castro of Cuba, whose island country is still under the régime which seized power by force of arms in 1959, was not invited to the summit. *George Graham, Miami*

Honduran accord with IMF

The Honduran government has signed a letter of intent with the International Monetary Fund which will open access to $650m (£411m) in loans from Washington-based lending institutions. The agreement follows approval in October by the US Congress of tax reforms intended to reduce the Honduran fiscal deficit from 11.2 per cent of GDP to 7 per cent this year, and to 4.5 per cent in 1995. The Honduran economy is expected to contract by 1.5 per cent this year after suffering drought, energy shortages, and a drop in the price of bananas, its main export. Without the IMF accord, the government would have fallen behind with foreign debt obligations. *Edward Orlebar, Guatemala City*

A promise to advance in prosperity and democracy

By George Graham

In a five-page declaration of principles, the 34 leaders at the Summit of the Americas in Miami yesterday committed themselves "to advance the prosperity, democratic values and institutions, and security of our hemisphere."

The declaration of principles promises:

● "To preserve and strengthen the community of democracies of the Americas", by strengthening the Organisation of American States, making government more transparent and accountable, attacking corruption and fighting organised crime, drug trafficking and terrorism.

● "To promote prosperity through economic integration and free trade", by beginning immediately "to construct the 'Free Trade Area of the Americas' (FTAA), in which barriers to trade and investment will be progressively eliminated." Negotiations are to be completed no later than the end of 2005, but "concrete progress" is to be made by the century's end. Mechanisms are to be created to promote investment in the hemisphere, as well as to develop telecommunications, transport and energy links.

● "To eradicate poverty and discrimination in our hemisphere" by improving access to education and health care, helping indigenous peoples and strengthening the role of women in political, social and economic life. It is "politically intolerable and morally unacceptable that some segments of our populations are marginalised and do not share fully in the benefits of growth."

● "To guarantee sustainable development and conserve our natural environment for future generations" through partnerships to control pollution, protect ecosystems and encourage sustainable use of biological and energy resources.

The summit also agreed a 23-point plan of action to follow up their declarations. The plan includes specific and less-specific promises of action, including:

● More support for OAS efforts to promote democracy.

● Guaranteed protection for the human rights of migrant workers.

● A review of the regulatory framework to facilitate non-governmental organisations' operations and fund-raising.

● Establishing conflict of interest standards for public employees – with stiff penalties for abuses – and hemispheric arrangements to prosecute or extradite corrupt officials.

● Laws to permit the freezing and forfeiture of proceeds of money laundering.

● Striving for comprehensive trade agreements on tariff and non-tariff barriers to trade, agriculture, subsidies, investment, intellectual property rights, rules of origin, anti-dumping duties, sanitary standards, dispute resolution and competition policy.

● Guaranteed universal access to quality primary education, with a goal of 100 per cent of the population completing primary school and at least 75 per cent enrolment in secondary school by 2010.

● National plans for a basic package of health services including care for children and mothers, family planning, immunisation and Aids prevention.

● A volunteer corps of people in "white helmets" to tackle natural disasters, development needs and emergencies, in their own countries and, at the request of the UN, abroad.

● National plans to phase out lead in petrol.

The action plan calls on the OAS and the Inter-American Development Bank to take the lead in following up the summit's decisions, and lays out a programme of meetings of officials and ministers, including meetings of trade ministers in June 1995 and March 1996 to work on the FTAA. Other scheduled meetings will cover sustainable energy use, measures to build confidence in democracy and science and technology in 1995, and energy industries and sustainable development in 1996.

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Japan's new ship charts a vague course

First political party in 40 years is big on pzazz and short on ideas, writes William Dawkins

Japan's biggest new political party in nearly four decades, the New Frontier party, adopted a nautical identity for its launch at the port city of Yokohama on Saturday, but charted only a vague course.

Thousands of curious party supporters filed into the convention hall to face a cardboard sail suspended above the podium. They were handed canvas pouches marked "my bag, my party" and imprinted with an eight-spoked ship's wheel. A stirring inaugural poem spoke of fixing Japan's broken compass and all rowing together. Later, Mr Ichiro Ozawa, who masterminded the party's creation, pledged to do his best at the start of this long voyage.

The NFP has promised to shake up the old political system, dominated by party factions, and to make parties more responsive to voters' aspirations. Yet its audience was left with a suspicion that the NFP was straining to define newness.

The NFP provides the first serious opposition to the conservative Liberal Democratic party, which has governed Japan for all but one of the past 39 years. The new party, the result of the merger of nine small opposition parties, also simplifies Japan's previously fragmented opposition politics.

But what the NFP really stands for is unlikely to make waves among voters. The NFP's policy document promises "ceaseless reform and responsible politics, aimed at bringing about a Japan that is free and wide open to the world". Other policies include working for world peace, a "lively welfare society", better education and a party in which all citizens can participate.

Toshiki Kaifu waves to fellow voyagers at the NFP launch at the weekend *Reuter*

This blandness may be unavoidable, given the need to bring on board all members of a heterogeneous crew, from religious right, through mild conservative, to social democrat. They need to unite to survive a new electoral system which takes effect on December 25 and favours large, well-organised parties over small ones. So policy is, for the time being, secondary. Yet the platform confirms that the NFP will find it hard to differentiate itself from the ruling LDP.

Mr Kazuo Shii, secretary general of the Japan Communist party, the only opposition group not to have joined the NFP crew, argued yesterday that the new party merely confirmed the division of the LDP over the past 18 months into two blocks. One is the NFP – former LDP members supported by Buddhists; the second is the existing LDP, kept in power by the Socialist party.

Certainly, the new party's leadership will be familiar to followers of old-style politics. Mr Toshiki Kaifu, NFP president, and Mr Ozawa, his number two, have worked together as LDP prime minister and secretary general respectively, when they helped the LDP to victory in the 1990 general election. Over the weekend, Mr Kaifu showed no rush to oust his former LDP colleagues, pledging to work with the government, so long as it "moves towards the creation of a good society."

The other challenge facing Mr Kaifu is to assert his own leadership. He used to be taunted by the press as LDP prime minister for being a "remote control" leader, allegedly directed by Mr Noboru Takeshita, then in charge of the LDP's strongest faction.

In one of his first joint television interviews with Mr Ozawa since becoming NFP leader, Mr Kaifu had to tick off the interviewer for addressing questions first to Mr Ozawa. The big question now is whether Mr Kaifu will be able to assert himself and so lend the NFP a vote-winning identity.

New Frontier party plans to form shadow cabinet

Japan's new alliance of opposition parties, inaugurated over the weekend, plans to form a shadow cabinet to prepare to take power from the ruling Liberal Democratic party, writes William Dawkins in Tokyo.

Mr Toshiki Kaifu, president of the New Frontier party, Japan's second largest political group, said he planned to work with the government coalition as long as it worked for the creation of a "good society." But he would propose a parliamentary vote of no confidence if the coalition deviated from that path.

The NFP, the result of the merger of Japan's nine main opposition groups, is the first opposition party in recent history to create a shadow cabinet. This could increase pressure on the government by offering voters a credible alternative administration. The new party, Japan's second largest, has 214 seats in the upper and lower houses of parliament. The LDP has 295.

However, any concrete policy challenge to the government is likely to be limited because the NFP's policy platform is almost indistinguishable from that of the administration.

The new party would pave the way for "an ideal nation", said Mr Kaifu. His party's policies received a lukewarm reception from the few non-LDP groups to have survived recent political upheavals.

China to make HK law after 1997 takeover

By Simon Holberton in Hong Kong

Hong Kong's laws will be made by a Beijing-appointed legislature for at least a year after the colony's sovereignty passes to China in mid-1997 under a decision taken by the preliminary working committee (PWC), a high-level group of mainland officials and Hong Kong personalities who advise Beijing on practical issues concerning the transfer.

This and other PWC decisions on Hong Kong's legal system and rights of abode are likely to raise concern in Hong Kong and London that China will reverse the democratic gains of the recent past. Next September Hong Kong will hold its first fully democratic polls, but those elected seem certain to be ejected the day China resumes sovereignty.

The PWC has become the forum for forward-looking discussion

and decisions affecting Hong Kong's future without any British input.

It is headed by Mr Qian Qichen, China's foreign minister, who called upon Britain to co-operate with China on Hong Kong's transfer of sovereignty. He noted that Britain had expressed a wish to co-operate and had "done a little bit" in that direction, but said the UK should lift the prohibition on formal contacts between the PWC and Hong Kong government officials.

The deliberations of the PWC came as British and Chinese officials were preparing to meet in London today for the 31st session of the Joint Liaison Group (JLG). When set up in 1985 the JLG was meant to deal with Hong Kong's transfer to China, but since 1989 has achieved little.

Britain hopes China will respond to a draft bill concerning the establishment of Hong Kong's court of final appeal, which will replace the Privy Council with the change in sovereignty.

The PWC sent out mixed signals on China's intentions towards the court. Mr Lu said that Beijing stood by a 1991 Anglo-Chinese agreement on its establishment and that China would welcome the British setting it up before the handover. However, he included enough asides to raise doubts whether China would approve a court established under British rule. He said judges appointed before 1997 had no automatic right to stay on the bench after 1997 and would have to be reappointed.

Tokyo and Seoul drop rivalry in spirit of business partnership

Michiyo Nakamoto and John Burton on a turning point in relations

The decision by Japan's Mitsubishi Motors to buy steel sheet from Korea's Pohang Iron and Steel on a long-term basis marks a turning point in the two countries' post-war industrial relations.

From the Japanese perspective, last week's contract signals a growing willingness to set aside national prejudices and to recognise its neighbour's industrial competitiveness. For the Korean steel industry, it offers a sweet victory over its most formidable rivals and a strong vote of confidence from the Japanese motor industry.

Japanese and Korean business relations have long been clouded by intense rivalry, mutual suspicion and a bitter antagonism that can be traced back centuries. But changes in the quality of Korean products and the yen's appreciation, forcing Japanese companies to diversify their sources, have prompted rivals to become partners.

The older generation of businessmen on both sides of the Sea of Japan often find it difficult to overcome their deeply ingrained prejudices about the other. "Generally, Japanese tend to look down on Koreans," concedes one Japanese businessman who works for a major manufacturer. "Our chairman used to say there are countries that are likeable and those that are not," he says.

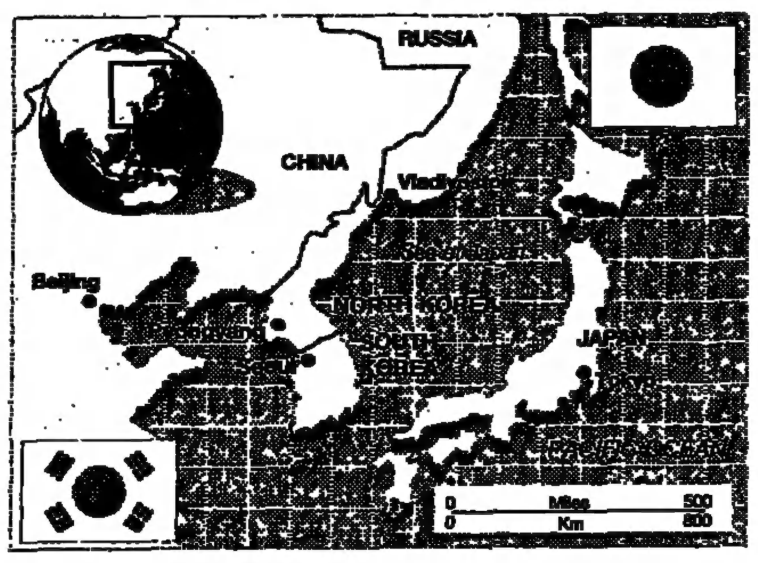
"It's a very complex and tangled relationship," observes a foreign businessman who works in a leading Japanese electronics company. "The general feeling among Japanese businessmen is that you can't work with the Koreans."

The Japanese are aware of the bitterness Koreans still feel about the sufferings inflicted by Japanese soldiers during the second world war.

Korean hostility towards Japanese businesses in the 1960s and 1970s has also left a scar on Japan's corporate memory.

Cultural differences also play a part. Japanese social etiquette does not sit easily with the straightforward approach of many Koreans, which many Japanese consider unduly aggressive.

But the Japanese are also aware that the Koreans are similar in their work ethic, in their ability to work effectively in groups and their loyalty. The combination of such strong differences and similarities, and a deep familiarity with each other's strengths and weaknesses, has added to the complex feelings between the neighbours.



"The Koreans know the Japanese very, very well and know what irks them, and that is one of the reasons the Japanese tend to be wary of doing business with them," said one foreign businessman in Tokyo.

That fear is supported by the Japanese recognition of the potential threat Korean industry poses to Japanese industry. Korea has maintained a constant trade deficit with Japan since diplomatic relations were established in 1965 and the gap is expected to grow to almost $12bn (£7.3bn) this year. This reflects Korea's heavy dependence on Japanese capital goods, including machinery and components. Korea has tried to reduce the deficit by improving its domestic subcontracting network, and increasing spending on product research and development.

Seoul has also lobbied Japan to open its markets to Korean imports and encourage Japanese component manufacturers to establish production facilities in Korea. But efforts to attract new investment have met with little success so far. Japanese companies are afraid that increased industrial investments will strengthen Korea's competitiveness.

On the other hand, Korean fears about Japanese economic dominance were reflected in the recent controversy over Samsung's entry into the car industry with the technical help of Nissan of Japan. Critics of the deal said Samsung's co-operation with Nissan would increase car imports from Japan and hinder efforts to promote technological independence in the Korean car industry, which has been dependent on Japanese technology.

Samsung won government approval for the project only after it promised to increase the local content of its cars from between 70 and 80 per cent in 1998, when manufacturing begins, to 98 per cent by 2003.

Korea banned imports of most Japanese consumer products in the 1970s. Seoul has agreed to halve by 1997 the number of Japanese products on the "import diversification" list which now excludes 250 items.

Executives from the Korean electronics and car industries acknowledge that the quality and technology of their products often lag behind that of their Japanese rivals although the gap is narrowing in some fields. In semiconductors, Korea has overtaken Japan as the leading maker of current generation 4-megabit dynamic random access memory chips. Japanese officials are quick to point out that these chips make up only a small part of the semiconductor market and that Japanese makers are three to five years ahead in advanced semiconductor technologies.

Nevertheless, "there is a feeling that the Koreans are doing very well in D-Rams and that they are very aggressive and formidable competitors," says an official at a leading Japanese semiconductor maker.

The yen's sharp appreciation and the structural changes facing Japanese industry are providing strong incentives for Japanese companies to overcome their reluctance to rely on Korea.

Electronics companies, for example, are also beginning to recognise that teaming up with Korean competitors can help them succeed. NEC has agreed to share information with Samsung on developments each makes on future generation D-Rams.

The change in generations is also playing a part, as younger Japanese and Koreans with few memories of the war and similar western views, rise to managerial positions.

As one mid-level Japanese businessman at a leading company says: "If there is a good partner, Korean or otherwise, we would not miss an opportunity to do business with them."

Domestic funding for Borneo dam

By Kieran Cooke in Kuala Lumpur

The funding for a controversial hydroelectric dam to be built in the heart of Malaysia's tropical rainforest will be generated from domestic sources, according to the company in charge of the project.

The Bakun dam, described by its developers as the the world's biggest private power scheme, is being built in a remote jungle area of Sarawak on the island of Borneo. Preliminary estimates put the cost of the project at M$15bn ($5.9bn).

Ekran, the listed Malaysian conglomerate which is developing Bakun, said sufficient financial resources were available in the domestic market. Nearly M$6bn has been raised on the domestic market this year for projects associated with Malaysia's plans to privatise a large part of its electricity industry.

Financiers have questioned whether the Malaysian capital market has the capacity to extend further loans of the size needed for the Bakun project. There are also fears the local market might be becoming too exposed to one sector.

The Bakun project involves building a dam nearly twice the size of the Aswan dam in Egypt and flooding an area larger than Singapore.

Plans are to transmit the bulk of Bakun's power output to peninsular Malaysia, first by 670km of overhead cables within Sarawak and then through 650km of cables under the South China Sea. Bakun poses technical challenges. It is being built at a site more than 500km up-river from Sarawak's coast and the journey involves crossing treacherous rapids. New roads will have to be built through dense jungle to bring in building materials and engineering equipment.

An area of more than 80,000ha, much of it tropical rainforest, will be cleared to accommodate the dam and more than 8,000 tribes people will be resettled.

Opponents of the project say the dam will be "an ecological time bomb". Dr Mahathir Mohamad, Malaysia's prime minister, has said Bakun will be a catalyst for industrial growth in Malaysia. It would meet the needs of Malaysia's industrialising economy, and turn Malaysia into a regional power exporter.

S Korean groups can visit north

By John Burton in Seoul

South Korea has granted permission for six domestic companies to send officials to North Korea to discuss possible investments. The South Korean companies include the conglomerates Samsung, Hyundai, Lucky-Goldstar and Ssangyong, and two smaller concerns, Yongsin Trading and Taedong Chemical.

Seoul approved their applications to travel to North Korea in spite of Pyongyang's refusal to open direct negotiations with South Korea on economic co-operation. North Korea, however, is encouraging South Korean companies to invest on a private basis.

However the corporate executives may not be allowed to visit North Korea until next year since Pyongyang decided last week to deny entry to all foreigners until the end of the month.

The only apparent exception to the ban is the visit by US senators Mr Frank Murkowski and Mr Paul Simon, who arrived in Pyongyang yesterday abroad a US military aircraft in the first such flight to North Korea in 40 years.

The two senators will discuss the improvement in relations between the US and North Korea and the implementation of the recent bilateral accord to resolve the North Korean nuclear dispute. The US and North Korea on Friday agreed to details on establishing low-level diplomatic offices in each other's capital as part of the recent nuclear agreement.

The diplomatic offices will not be opened, however, until progress is achieved on several other issues, including North Korea's acceptance of South Korean light-water reactors to replace its more dangerous graphite reactors.

Questions also remain over the disposal of North Korea's spent nuclear fuel rods, which contain weapons-grade plutonium. In addition, South Korea is demanding that North Korea resume talks with Seoul before it is allowed to establish diplomatic ties with the US.

It is uncertain why North Korea has banned entry of foreigners, but some believe it may be related to the possible formal assumption of power by Mr Kim Jong-il later this month. The travel ban may also reflect disagreements within the North Korean hierarchy over the extent and pace of opening the country to foreign investment, according to Mr Song Young-dae, vice minister for national unification in Seoul.

The military and the committee for the peaceful unification of the fatherland, the North Korean agency in charge of inter-Korean relations, are believed to oppose proposals by the government's administration council to promote foreign investment to solve economic problems.

The internal debate may have delayed the assumption of power by Mr Kim, who is trying to reduce the influence of the hardliners by removing them from key positions, Mr Song said.

But this has proved to be a difficult task. Mr Kim may not become general-secretary of the ruling Korean Workers' party and president until the reorganisation of the power structure is completed.

● Workers from three South Korean motor vehicle companies – Daewoo, Sssangyong and Asia Motors – have ended their strike protesting against the government's decision to allow Samsung to produce passenger cars.

World Bank bid to aid Rwanda farming

By Deborah Hargreaves

The World Bank has set up an initiative called Seeds of Hope, to try to restore agriculture in war-torn Rwanda and prevent large numbers of people dying from starvation.

The $4m (£2.4m) programme is only the third time the bank's farming arm has had to re-stock a country's seed banks from scratch. It previously contributed seeds to Vietnam and Cambodia.

The bank's consultative group on international agricultural research has prepared seeds from its laboratories to replenish Rwanda's farming base. These are being sent to nurseries in neighbouring countries such as Tanzania, Uganda, Burundi, Zaire and Kenya where large volumes of seeds can be grown and transported overland to Rwandan farmers.

The bank's agriculture consultative group has the largest collection in the world of genetic material from crops in the developing countries. It uses these seeds for breeding improved varieties, but they are also available in case of disaster.

"It's not the kind of programme we want to be doing because it is associated with a disaster, but it shows that agricultural research can make an important contribution in a crisis," said Mr Ismail Serageldin, chairman of the bank's agriculture consultative group.

Rwanda was virtually self-sufficient in food before the civil war, with 91 per cent of its population involved in farming. But "granaries have been looted and burned and seeds have been eaten by starving people throughout the country," Mr Serageldin said. This year's unrest has led to a loss of 60 per cent of the country's harvest of cereals and pulse crops and the loss of 30 per cent of plantains (large bananas).

Mr Serageldin reckons the destruction has been so great that many important local varieties of seeds have been wiped out. If the Rwandan farmers have no seeds to plant next year, they will face growing dependence on outside food aid.

Rwandan farmers also need to be provided with seeds they had before which are suited to their soil and climate and which resist local pests and plant diseases. The consultative group will supply seeds for growing beans, sorghum, maize and root and tuber crops such as potato, sweet potato and cassava.

Mr Serageldin believes that, if the seeds can be distributed to farmers in time for the three growing seasons next year, Rwanda's farm production can be set back on its feet. But after that it will take two to three years to rebuild the country's agricultural research capacity and outreach system.

The World Bank now depends on the United Nations and volunteer groups to distribute the seeds within Rwanda as it does not have the capacity to transport them to farmers.

UK technology transfer to Saudi chemical complex

By Robin Allen in Abu Dhabi

Saudi Basic Industries Corporation (Sabic) and the British Offset Committee for the Al-Yamamah programme have agreed to license the building of an aromatics complex at Yanbu on the Red Sea. The complex will employ the Cyclar process developed by UOP of the US and British Petroleum. Aromatics are a key building block for the development of other downstream petrochemical industries.

The Offset programme relates to the Al-Yamamah project, under which British Aerospace provides aircraft and support for the Saudi airforce and British companies have become involved in industrial developments.

Construction of the plant, expected to cost $500m (£305m) according to independent industry sources, will start next year and be completed by early 1998. Owner and operator will be Arabian Industrial Fibres, known as Ibn Rushd, in which Sabic has 51.7 per cent share. Other Saudi private sector companies, including Dammam-based Arabian Industrial Development (NAMA), Jeddah-based Saudi Industrial Development and the Alujain group, hold the balance.

Locally available liquefied petroleum gas (LPG) will be used as feedstock to produce between 300,000 and 350,000 tonnes per annum (tpa) of benzene; 250,000 and 300,000 tpa of paraxylene; and 50,000-100,000 tpa of other xylenes. These products in turn will provide the raw materials for downstream sales and marketing, partly to domestic buyers in Jubail and the eastern province, and partly for two other Ibn Rushd projects at Yanbu which have already been commissioned.

The first is for Sabic's PTA (purified terephthalic acid) plant being built with technology from Italy's Technimont; it provides the raw materials for the second, a PET (polyester fibres and chips) plant licensed with Germany's Zimmer.

The Sabic/British Offset project represents the first commercial-scale use of the Cyclar process, according to Mr Colin Craig, financial adviser to the British Offset Committee and a director of Schroder Asseily, the merchant bank advising the offset group.

The Cyclar process uses LPG instead of the more expensive naphtha as feedstock. The successful British marketing of the Cyclar process to Saudi Arabia follows two years' work by BP at its Grangemouth refinery in Scotland. UOP is a world-wide supplier of technology to both the refining and the petrochemical industries.

Peace prize talks make no headway

Israeli and PLO leaders yesterday parted in disagreement over the peace process, after receiving the 1994 Nobel Peace Prize for their accord on Palestinian self-rule, *Reuter reports from Oslo.*

Israeli Prime Minister Yitzhak Rabin, Foreign Minister Shimon Peres and Palestine Liberation Organisation leader Yassir Arafat made no breakthrough in talks on the terms for much-delayed Palestinian elections – the next stage in the peace process.

The two sides agreed to intensify high- and middle-level talks on the critical second stage of the deal – redeployment of Israeli troops away from Palestinian population centres on the West Bank before Palestinian elections are held.

Mr Rabin said Israeli security concerns must be dealt with in a balanced way, warning: "Short cuts might lead to catastrophe." Mr Arafat, in his acceptance speech on Saturday, insisted on the withdrawal of Israeli troops from Arab towns on the West Bank before elections can be held.

Israeli and PLO officials said their delegations would meet again in Cairo on Wednesday for further talks.

● Left: A Palestinian woman in Jerusalem protests against the Israeli closure of the city to Palestinians living in the occupied West Bank. AP

Worldwide increase in pharmaceutical sales

By Daniel Green

Strong demand in the summer months accelerated sales growth for pharmaceuticals in several markets, including the US, Japan and France, according to figures published today. These indicate that spending on medicines is being maintained, despite efforts by governments to control healthcare costs.

Drug sales in the world's top nine markets were 5 per cent higher for the first nine months of 1994 than in the equivalent period in 1993, according to the latest monthly figures from IMS International, the specialist market research company.

The US remains the biggest market, with sales to September worth $36.5bn (£22.2bn). The US and the UK are the fastest growing markets, with sales growth of 8 per cent.

The rate of growth picked up in Japan and France, at 2 per cent and 3 per cent respectively, after sluggish starts to the year. In Japan, prices had been depressed in April by government action.

Italy, where government reforms had sharply cut the number of drugs available free on the country's national health system in January, is the only main drugs market to have contracted this year. Even there, the 6 per cent decline for the first nine months compares with 8 per cent in the first eight months.

By therapeutic area, heart drugs continue to show strong growth, up 23 per cent in Europe to $7.8bn and 16 per cent higher in North America and Japan at $6.4bn and $2.5bn respectively. The heart drug area is one where most of the world's top companies are aggressively promoting rival products in an attempt to win market share.

No single therapeutic sector saw an overall decline in sales compared with 1993, but the pattern of sales in Italy reflects government reforms there. Sales of hormones fell by 52 per cent to $117m following a government policy which included cutting the list of medicines deemed to be non-essential.

Nervous system drugs, including high-profile anti-depressants such as Prozac – made by Eli Lilly the US pharmaceuticals company – were the biggest growing sector in North America, with sales 17 per cent higher than in the first three quarters of 1993 at $6.6bn.

Nervous system drugs remain, by contrast, one of the smallest categories in Japan, with sales up 5 per cent to $519m.

World pharmacy drug purchases January-September 1994 in US dollars (m)

	N. America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	6,384	2,516	2,404	2,344	1,273	687	588	237	242
Alimentary/Metabolism	6,409	3,143	1,752	1,523	982	803	482	284	187
Central Nervous System	6,637	819	1,064	1,064	535	546	334	151	188
Anti-infectives	3,565	1,981	647	1,078	660	290	359	79	137
Respiratory	3,993	1,222	1,015	695	331	624	282	177	111
Musculo-Skeletal	1,708	1,576	535	407	303	270	161	56	66
Blood Agents	1,768	1,336	382	563	322	67	168	55	48
Others	8,577	3,532	2,128	1,577	1,054	785	531	231	206
Total	39,041	16,125	9,927	9,251	5,460	4,072	2,905	1,270	1,185
% Change**	8	2	6	3	–6	8	4	6	3

Source: IMS International, *Non-hospital market only, **Increase excluding currencies

INTERNATIONAL NEWS DIGEST

Swapo ahead in Namibia voting

Namibian President Sam Nujoma yesterday pledged to consult the nation before changing the constitution, as his ruling Swapo party began to look assured of a two-thirds majority in parliament after the first post-independence polls.

The two-thirds parliamentary majority, if confirmed when final results are announced today, would give Swapo the right to amend unilaterally the constitution, which it believes favours opposition parties.

With more than 70 per cent of the vote going to Swapo, compared to 22 per cent for the opposition Democratic Turnhalle Alliance (DTA), the ruling party's grip on power had tightened. Swapo, which fought a 23-year guerrilla war against South Africa for control of Namibia, was expected to have 51 seats in the new parliament, compared to the 42 it now holds. Commonwealth observers and those from the Association of European Parliamentarians said the poll had been fair. *Reuter, Windhoek*

Israel, Jordan open embassies

Israel and Jordan yesterday opened their respective embassies in Amman and Tel Aviv hotel suites, setting the seal on their October 26 peace treaty. Jordan is the second Arab state after Egypt to establish full diplomatic ties with Israel. The ceremony in Amman's Forte Grand Hotel provoked a demonstration by more than 400 protesters, who burned an Israeli flag outside the prime minister's office. Moslem and left-wing militants condemned the opening as "a black day". But Mr Yoav Biran, the Israeli Foreign Ministry's deputy director-general for Middle East affairs, said he hoped the Jordanian initiative would inspire Syria and Lebanon to complete the peace process. The first ambassadors are expected to present their credentials early in the new year.

● Four Lebanese Moslem guerrillas and one Israeli soldier were killed yesterday in an exchange of fire near the South Lebanese town of Marjayoun. A military spokesman in Jerusalem said five other Israelis were wounded. Three Lebanese civilians were reported to have been hurt in the cross-fire. Yesterday's ambush brought to 17 the number of Israeli troops killed in South Lebanon this year. *Eric Silver, Jerusalem*

$2bn aid pledge for Zambia

Donor nations and agencies have pledged a total of $2bn (£1.2bn) in financing assistance to Zambia for 1995. The biggest chunk of the money, about $1.2bn, will go toward retiring arrears on International Monetary Fund loans granted in the 1980s to the struggling African country.

About $347m will be provided for project and commodity assistance and $441m more will be given in balance-of-payments aid. Separately, a further $154m has been set aside for debt relief, the bank said after a two-day meeting in Paris of the consultative group of donor nations, the IMF and the World Bank. The donors emphasised that the financial support would depend on Zambia maintaining the momentum of its economic recovery programme. *Reuter, Paris*

Angolan plea for peacekeepers

Angolan Deputy Foreign Minister George Chikoti yesterday urged African states to send an interim peacekeeping force to his war-weary country until the United Nations decided to send troops. A shaky ceasefire has been in force since November 22, two days after the Luanda government and Jonas Savimbi's Unita rebels signed peace accords in the Zambian capital Lusaka formally ending the 19-year Angolan civil war.

The UN, which plans to send 7,000 peacekeepers to Angola, has delayed their deployment until it is sure both sides are serious about peace. It relies on the war rivals to report ceasefire violations. "The UN delayed sending them. They should have been in the country by now. There have been violations of the ceasefire but we have not been able to give proof because the verifying force is not there," Mr Chikoti said.

The UN has already asked South Africa, Zambia and Zimbabwe to contribute troops to the force, but Pretoria's black rulers are wary of getting involved in Angola given their white predecessors' role on the side of Unita in the 1980s. *Reuter, Lilongwe*

Algerian Moslem rebels shot

Algerian security forces yesterday shot dead six Moslem rebels during a search operation in the western town of Oued Berkeche, the Algerian news agency APS reported. Three of those killed in Oued Berkeche, 280 miles west of Algiers, were from the neighbouring town of Sidi-Bel-Abbes and were suspected of involvement in several murders, said APS, quoting a statement by security officials.

More than 400 Moslem militants have been killed by security forces since the begining of November, according to official statements. Between 10,000 and 20,000 people have been killed in Algeria's political violence since authorities cancelled in January 1992 a general election which Islamists were poised to win. *Reuter, Tunis*

Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.12.94: Pool purchase price £/MWh	Final Prices for Trading on 12.11.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.08	9.67	12.83
0100	8.92	34.37	37.53
0130	9.05	38.57	41.73
0200	8.92	39.54	42.70
0230	9.08	9.67	12.83
0300	9.08	9.21	9.21
0330	9.08	9.20	9.20
0400	8.90	9.19	9.19
0430	8.88	8.12	8.12
0500	8.12	8.10	8.10
0530	8.13	8.10	8.10
0600	8.12	8.10	8.10
0630	8.13	8.10	8.10
0700	8.13	8.10	8.10
0730	8.13	8.10	8.10
0800	8.13	8.11	8.11
0830	8.18	8.12	8.12
0900	8.13	8.12	8.12
0930	9.68	9.21	9.21
1000	8.98	9.22	9.22
1030	8.88	18.01	21.17
1100	25.97	25.45	28.61
1130	31.86	33.02	36.18
1200	34.40	33.39	36.55
1230	34.40	33.39	36.56
1300	34.40	33.39	36.56
1330	34.40	33.39	36.55
1400	25.97	29.97	33.13
1430	25.97	26.79	29.95
1500	25.97	26.79	29.95
1530	9.09	9.22	9.22
1600	8.98	9.22	9.22
1630	33.65	26.79	29.95
1700	42.75	36.11	39.27
1730	47.00	49.00	52.16
1800	47.00	49.00	52.16
1830	42.75	46.71	49.87
1900	35.63	36.11	39.27
1930	35.53	36.11	39.27
2000	35.53	36.11	39.27
2030	27.79	30.64	33.80
2100	27.79	25.48	28.64
2130	27.79	25.48	28.64
2200	9.68	25.00	28.16
2230	9.66	25.45	28.61
2300	9.08	9.89	13.05
2330	8.87	9.22	9.22
2400	8.87	8.16	8.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purpose of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 12.12.94: Pool purchase price £/MWh	Final Prices for Trading on 14.11.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.93	9.22	9.22
0100	9.09	9.89	14.03
0130	8.96	9.89	14.03
0200	9.65	9.89	14.03
0230	9.08	9.89	14.05
0300	8.93	9.21	9.21
0330	8.93	9.20	9.20
0400	8.89	8.22	8.22
0430	8.89	8.21	8.21
0500	8.88	8.21	8.21
0530	8.12	8.14	8.14
0600	8.18	8.14	8.14
0630	9.09	9.21	9.21
0700	10.08	9.24	9.24
0730	30.39	30.37	34.51
0800	30.97	31.79	35.93
0830	30.98	31.79	35.93
0900	31.08	31.84	35.99
0930	34.94	43.42	47.58
1000	35.00	43.44	47.61
1030	36.01	43.45	47.62
1100	31.36	43.45	47.62
1130	36.10	43.48	47.65
1200	39.02	43.49	47.67
1230	35.07	43.48	47.66
1300	34.96	32.09	32.09
1330	31.23	43.41	47.58
1400	31.21	43.38	47.55
1430	31.20	41.01	45.16
1500	31.26	34.70	38.85
1530	32.23	34.74	38.90
1600	58.73	35.65	39.98
1630	106.53	66.25	76.92
1700	164.47	108.81	128.81
1730	165.86	142.15	159.39
1800	124.89	124.85	139.60
1830	68.78	77.71	86.93
1900	46.86	80.85	58.34
1930	42.34	43.83	48.39
2000	31.12	37.58	41.74
2030	30.97	31.82	35.97
2100	30.96	34.85	38.85
2130	30.96	31.79	35.95
2200	30.93	31.79	35.93
2230	30.95	30.37	34.51
2300	10.08	9.73	13.87
2330	9.27	9.25	9.25
2400	9.09	9.22	9.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9:30am and 5:15pm Monday to Friday.
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US investors focus on Ulster civil rights

By Jimmy Burns

US investors attending this week's international business conference in Belfast plan to tie future investment to fair employment in Northern Ireland and cross-community involvement in development projects.

Renewed focus on both issues emerged at a conference held in the US at the weekend marking the tenth anniversary of the campaign in support of the so-called MacBride principles which aim to promote civil rights and equal opportunity in Northern Ireland.

The US conference was sponsored by Mr Alan Hevesi, the New York City Comptroller (Treasurer).

He has signalled a plan to channel up to $100m in institutional funds towards Ulster in the form of 'Irish Peace bonds' and has already made clear his intention of encouraging companies to adopt employment practices based on the MacBride principles.

It was also attended by Mr William Flyn, chairman of Mutual America, one of the biggest American insurance companies, who has helped co-ordinate private investor interest on both sides of the Irish border.

At the weekend conference, both men made clear that US investor confidence in Northern Ireland remained dependant on successful progress in the peace process, and that any major inflow of capital would have to be tied to a political programme firmly linked to the promotion of equal rights.

Mr Hevesi yesterday said he was planning a "significant expansion" of the MacBride principles campaign by aiming to influence corporate compliance with "positive discrimination" towards Roman Catholics in British companies in which there is a significant US shareholding.

Until now the campaign, supported by 18 US state legislatures, has played an important role in influencing the employment practices of US companies with operations in Northern Ireland.

Mr Hevesi said yesterday: "The environment for investment in Northern Ireland has improved dramatically as a result of the peace process, but progress towards the elimination of discrimination is painfully slow."

At the weekend conference, Mr Flyn renewed his backing for the MacBride principles, and insisted that discrimination had no place in Northern Ireland. He was strongly critical of the Reverand Ian Paisley's opposition to the involvement of the US in the peace process.

Both Mr Hevesi and Mr Flyn will be heading up a strong Irish-American caucus at the Belfast conference which is determined to put fair employment and the continuing involvement of Sinn Fein in the peace process at the centre of any discussion with government officials.

The UK government's position is that Northern Ireland's own legislation provides legally enforceable remedies against discriminatory practices.

Major pressed over referendum on Europe

By David Owen and Philip Stephens

Mr John Major was last night facing growing pressure to agree to a referendum on further European integration as Conservative leaders braced themselves for a heavy defeat in Thursday's Dudley West by-election.

With another difficult week for the party in prospect, some pro-European Tories joined Eurosceptics in arguing that a referendum was becoming inevitable.

A notable exception, however, was Mr Michael Portillo, the Eurosceptic employment secretary, who is seen by some as a future Tory leader.

As Labour emphasised that it had "an open mind" on the issue, Mr Portillo said a referendum would not be his "first choice" for addressing Conservative divisions over Europe.

Interviewed on BBC-TV's Breakfast with Frost, he said it would be better for ministers to put forward a European policy that would be "much more Euroosceptical than in the rest of the continent".

But he acknowledged that a referendum might be "a valuable way to heal the rift" because many Tories thought they wanted one.

As Mr Major used a Sunday newspaper article to accuse the eight Tory MPs who defied the government in a recent confidence vote of "self-indulgence", a poll among voters in Dudley West suggested Labour would win the seat by a landslide.

The government could face another test on Wednesday in a Commons debate on fisheries policy, when a Labour amendment opposing any increase in Spanish fishing vessels in British waters may secure the support of some Tories.

Senior ministers said they did not expect a snap decision on whether the government would offer a referendum on the next stage of European integration.

Mr Portillo's antipathy – which will surprise some of his Eurosceptic allies on the Tory backbenches – is matched by still stronger opposition from pro-European cabinet ministers such as Mr Kenneth Clarke, the chancellor, and Mr Michael Heseltine, trade and industry secretary.

But cabinet colleagues confirmed that Mr Major was actively considering the idea as possibly the only way to unite the party on a package of British proposals for the 1996 EU intergovernmental conference.

Some Conservatives believe that a commitment could come early next year if Mr Major's leadership remains under threat.

Obituary

Lord Joseph

Lord Joseph (right), who died on Saturday at the age of 76, was the principal architect of the monetarist approach to economic policy which came to be identified as Thatcherism.

The paternity was implicitly acknowledged by Margaret Thatcher in her book *The Downing Street Years* when she described Joseph as her oldest political ally and mentor.

Joseph defined the object of Thatcherism as "increasing the inequalities" so as to provide the incentives needed to motivate entrepreneurs and innovators, and facilitate the trickle down effect to benefit those at the lower end of the income scale.

Sir Keith Joseph entered the Commons in February 1956 and served as a junior minister in the housing department before becoming its political head on being promoted to his first Cabinet post by Harold Macmillan in 1962.

Joseph became a monetarist convert after serving as health and social services secretary under Edward Heath from 1970 to 1974. After Mrs Thatcher replaced Heath she relied heavily on Joseph, who had responsibility for policy and research, in the interval before she became prime minister in 1979. Their relationship continued in the seven years he was in her Cabinet, first as industry secretary, then at education.

The intellectual honesty which characterised Joseph's public life inevitably led to him making a number of "gaffes" but, as Mrs Thatcher observed, they also had the effect of highlighting an uncomfortable political truth.

UK to seek tougher solvency rules

By Ralph Atkins, Insurance Correspondent

The UK government plans to urge the introduction of tougher European Union solvency rules for insurance companies exposed to the greatest uncertainty about potential liabilities from insurance cover they provide.

Proposals being drawn up by the Department of Trade and Industry would require European companies to hold a higher proportion of assets to premium income if faced with exposure to US asbestosis or professional liability claims, for instance.

Most insurance companies comfortably exceed solvency requirements. But pressure from financial markets is likely to mean that a change in official solvency rules would lead to companies needing to increase, by a corresponding amount, the assets they hold over and above the minimum solvency margin.

The move reflects Whitehall concern that UK solvency rules, based on EU directives, do not distinguish companies according to the type of business they underwrite.

Insurance company failures are often the result of losses incurred on "long-tail" policies, such as liability insurance, where claims can take many years to arise and are difficult to forecast.

EU directives setting rules on the solvency for insurance companies are due for review in 1997.

National insurance regulators are expected to start discussions on possible changes early next year.

Since July, European insurance companies have been able to operate across the EU on the basis of regulations set in their home country.

Hence the DTI has an incentive to ensure solvency regulations are strengthened across the union.

The UK's proposals, which have yet to be worked out in detail, reflect a trend across the international insurance industry, particularly in the US, towards "risk-based" capital.

UK NEWS DIGEST

Tight timetables for key trains

Britain's main line rail services will be expected to pay their own way so that government subsidies can be concentrated on maintaining rural lines and branch services, Mr Roger Salmon, railway franchising director, responsible for the sale of BR's passenger train service, is expected to announce on Wednesday.

The details of the passenger service requirements – the minimum timetable that must be run to win government subsidy – is expected to create a political furore because it will be seen as reducing services. The timetable regulations will show that operators must provide only an hourly service on their main Intercity routes compared with the present half-hour frequency on many main lines.

But Mr Salmon will argue that the train operators will have a commercial interest in running services as frequently as possible and that services will be maintained at least at present levels. Intercity services were the most profitable part of British Rail.

Ford arm in credit card probe

Aggressive marketing by a consumer credit arm of the Ford motor group is being investigated by the Office of Fair Trading (OFT) after complaints that The Associates, a Windsor-based consumer credit company controlled by Ford's US-parent, had issued Visa credit cards unsolicited to many of its customers.

After acquiring the rights to thousands of in-house store cards earlier this year, The Associates, which specialises in consumer loans, mortgages and hire purchase, issued fully-fledged Visa credit cards to the store cardholders without their explicit consent. The Associates says the "upgrading" was covered by the terms of the retailers' in-house cards. But the OFT became involved after many cardholders complained to trading standards authorities that they had received "unsolicited" Visa cards through the post.

Sending credit cards to consumers is an offence under the 1974 Consumer Credit unless the card has been previously requested in writing, according to the OFT. A spokesman for Ford's credit operations in the UK said The Associates – run by Associates Capital Corporation, a Dallas, Texas-based subsidiary of Ford in the US – was "virtually a separate company", with its own marketing and management policies.

Repo bond tax views sought

The Inland Revenue has published a discussion paper outlining possible tax changes which could facilitate the establishment of an open sale-and-repurchase market for UK government bonds.

It intends to establish whether tax changes are necessary to ensure the efficient functioning of a repo (an agreement for sale and repurchase of a bond at a pre-arranged price) market and, if so, how they should be best made.

The revenue consultation runs in parallel with wider consultation by the Bank of England concerning the market structure and regulatory aspects of an open repo system. Comments are requested by January 31, 1995.

Lottery winner nets £17m

Britain's £17.8m ($29.19m) National Lottery jackpot has been won by one person, organisers Camelot believe. The company disclosed that "initial checks suggest" that the giant jackpot – £17,880,003 – was won by just one ticket holder, not a syndicate. Ten people are also celebrating wins of more than £300,000 in the fourth week the lottery has been held.

David Buchan examines a growing debate about corporate governance and better boardroom practice

France puts her 'affaires' in order

French companies are beginning to punch back a bit, after the general hammering they have taken for corruption from magistrates, international investors and the press.

The Patronat employers federation has called on its members to suspend contributions to political parties, and some larger ones, particularly France's big utilities suspected of winning municipal contracts by underhand means, have already stopped writing cheques to the politicians.

The fact that the French national assembly is now considering legislation to ban companies giving to political parties robs the Patronat appeal of some of its import. But in a report concluding its own study on anti-corruption reforms, the Patronat is also asking for a revision of some of the penal provisions of French company law and for better protection for businessmen under investigation from press leaks, as well as calling on its member companies to adopt ethics codes and set up ethics committees.

Already the corruption scandals, usually referred to in ambiguous French understatement as "les affaires", are affecting the way some French companies are managed. The most striking example concerns the Schneider group, whose president, Didier Pineau-Valenciennes, is the subject of an international arrest warrant issued by a Belgian judge. The warrant was issued after Pineau-Valenciennes failed to return to Belgium to be investigated further on fraud charges. The Schneider president has since taken to running his multinational engineering group through tele-conferences from Paris and letting the head of his international division travel in his stead to countries that might honour the Belgian warrant.

In addition, most members of the French public works contractors' association have taken a pledge not to bribe to obtain contracts. Individually, Lyonnaise des Eaux says it has reinforced its ethical practices, while Générale des Eaux has put its chief legal officer in charge of a new committee to provide ethical "guidance" to managers.

Most important of all, the publicity surrounding "les affaires" has also given new prominence to the debate about how far France should import Anglo-Saxon models of corporate governance and change the balance of power and control between management, boards and shareholders in its companies. There is a feeling that one of the reasons why French companies have got into trouble with the law is that their over-powerful bosses are not properly controlled by their boards and shareholders.

This impression is reinforced by the fact that the charge most commonly levelled against company chiefs is *"abus des biens sociaux"* (literally, misuse of corporate funds). But the idea that top executives have been generally acting against their companies' interest is false, says the Patronat. The employers federation wants magistrates to stop using the *"abus des biens sociaux"* charge as a catch-all, and to redefine it as including some element of personal enrichment. It is perhaps true that some directors and shareholders were ready, at least in earlier times, to turn a blind eye to executives using company money to pay bribes, provided these were a cost-efficient way of bringing in contracts, but not to feather their own nests.

However, it is really foreign investors who have brought the corporate governance debate to France. Their voice is strong. At the end of last year, foreigners held 36 per cent, or FFr444bn (£52.8bn) worth, of quoted French companies' stock exchange value and 27 per cent or FFr1,063bn worth of their bonds. "This voice has to be listened to," recognises Jean-Francois Thédore, president of the Paris Bourse.

Many of these foreign, particularly Anglo-Saxon, investors have been influenced by the 1992 Cadbury recommendations in the UK for company boards to include more independent, non-executive directors, building on similar practices in the US. Broadly, they would like to see in France more accountability of chairmen/chief executives to their boards, greater involvement of boards in the setting of strategy, auditing of accounts and nominations, a phasing out of cross-directorships held by representatives of big companies who all sit on each others' boards, and more rights for minority shareholders. This last point is particularly important for Anglo-Saxon institutional investors and pension funds, because for prudential reasons they hold only minority stakes in companies in whose management they do not want to be directly involved.

Business reaction in France is mixed. Some are highly positive. André Levy-Lang, the head of Paribas, enthuses about "exemplary" boards in the US such as that of Schlumberger on which he sits. For others, it is a question of swimming with the prevailing tide. "The ever-growing presence of foreign shareholders in French companies obliges us to go forth into the open sea and to adopt Anglo-Saxon canons," says Gérard Worms, president of the Suez financial and industrial group. The Commission de Bourses, the legal regulator of the stock market, has campaigned for the past 10 years for French company boards to create audit committees, arguing that a regular dialogue between specialised directors and outside auditors would enhance the credibility of annual accounts and boards.

Others are more reserved about any wholesale import of Anglo-Saxon practices, particularly in the form of new legislation. "We don't need a revolution, because practices are already gradually evolving," says Jean-Louis Beffa, head of the St. Gobain glass-making and industrial group. "Improvements in behaviour [of company boards] are more pertinent than new rules," he stresses.

The classic example of a law which changed nothing was that of 1966, allowing a two-tier structure, with a supervisory board presided over by a chairman on top of a management board headed by a chief executive. Less than 2 per cent of French companies have adopted this model. It is possible for the posts of président (chairman) and directeur-général (chief executive) to be held separately within a single board structure, as in the US.

But this obviously does not appeal much to France's présidents-directeurs généraux (PDGs), as Beffa, who holds both posts at St. Gobain explains. "When a company has separate chairmen and chief executive officers (CEOs), one always wonders who is the real boss," he points out. "This separation can have its uses in a crisis, when for instance in the US the chairman stays to assure continuity, while the CEO changes. But is it such a bad thing for both posts to change in a crisis, as happens in France when the top man goes?"

Rather than reducing PDGs' power, there is more support for increasing boardroom control over them. But in a recent survey of directors conducted by the head-hunting consultancy Vuchot Ward Howell, 53 per cent said they did not have enough information to exercise control properly. Seventy per cent reckoned an individual director could not stop a PDG from taking "dangerous decisions". Only a minority (40 per cent) believed resignation was an effective form of protest, a view anecdotally confirmed by the failure of Jacques Calvet to carry out his threat to resign from the board of Générale des Eaux on the parachuting in of the young 38-year-old Jean-Francois Messier as heir to Guy Dejouany, veteran PDG of the giant utility. If the outspoken and powerful head of Peugeot is not going to carry out a resignation threat, who, in France, is?

The survey reinforced the feeling that a board's power lay in it acting collectively. But this, too, was judged difficult because most directors are co-opted on to boards by the PDG acting alone or sometimes with major shareholders.

Indeed, it is the big shareholders dominating the boards of leading French companies who often give foreign or minority shareholders the impression of facing a closed oligarchy. A study by a pair of academics, Michel Bauer and Bénédicte Bertin-Mourot, showed that the 1,161 directorships of the top private-sector 100 companies in 1990 were occupied by 797 people. The proportion of people holding multiple cross-directorships is probably no less now, because of the "cores" of institutional French investors which have been established in recently privatised companies.

One possible remedy is to introduce more non-executive directors, independent of management and of shareholders, as the Cadbury report preached in the UK. But this idea draws sharp criticism from some quarters. Bernard Dumon, PDG of the Saint-Louis food, textile and paper group, believes it to be "a British solution to a British problem", and not transferable to French boards which by law were never allowed as many in-house executive directors as in the UK. Directors representing large shareholders make for a strong and attentive board, Dumon argues, precisely because they have to consolidate any losses into their own accounts.

By contrast, French companies seem much more open to putting board members on audit committees, rather than just remuneration committees; the latter are popular mainly because if pay is fixed in sub-committee, as distinct from the full board, it does not have to be published. But the COB recently complained that these audit bodies "do not have the true independence of real auditing committees made up of outside directors and chaired by one of them".

However, René de La Serre sees change as inevitable from his role as president of the Conseil Des Bourses des Valeurs, the stock exchange's governing body. "In the long run, it will doubtless be necessary to limit this practice [of cross-directorships]," he recognises.

"This is a goal we could fix ourselves, in parallel to the development of our financial markets and therefore of the progressive disappearance of cross-holdings." He contests the idea that minority shareholders are victimised in France, but says that in the long run, too, he sees the need for "every director to represent all shareholders collectively".

Until recently, "there was no notion of the protection of minority shareholders in France", says Hervé Thibaut of Deminor, a Franco-Belgian consultancy that has made a business out of championing the small shareholder. He cites the rough ride minority shareholders have had in Eurodisney, and in such operations as the takeovers of La Redoute by Pinault-Printemps and of Wagons-Lit by Accor. The only time French companies are required to commission an independent "fairness opinion" of their bid is when they hold 95 per cent and can launch a compulsory "squeeze-out" of the remaining 5 per cent.

But the tide is turning. Last summer saw the passage of new legislation to allow shareholders to band together to force company managements to answer questions at annual meetings, to provide specific financial advice or to query auditors reports. To qualify for these rights, shareholders in these associations must hold "nominative" shares (not very popular for tax evasion reasons) for two years and represent 1 per cent of bigger companies' equity. But it is a start.

An explanation for advertising

MICHAEL THOMPSON-NOEL

I had cocktails the other evening with a living national treasure. Well, not exactly cocktails. He drank Scotch and I drank tomato juice, though after 1½ hours they seemed quite sophisticated.

In Japan, I think it is, they have an official system of numbering their LNTs. Thus a poet in Fukuoka might be Living National Treasure Number 29, while a master potter in Nayoro might be No 137.

If Britain had such a system, Jeremy Bullmore would be a designated LNT for his contribution to the world of advertising and thus to the world of business. He is a businessman's businessman. He was 65 recently, and has lost none of the charm, wit and incisiveness that are the trademarks of London's most famous adman.

I used to think that his distinguishing talent was his ability to explain what advertising is about to outsiders. But his real significance, probably, has been his ability to explain what advertising is about to admen – what it is and isn't, what it can do and can't. He has been the conscience of advertising, as well as its inspiration.

And not just in Britain. He joined the London office of the J Walter Thompson agency in October 1954, and retired from it in December 1987. He started as a trainee copywriter, became a writer-producer, and eventually creative director. From 1976 to 1987 he was chairman of Thompson in London.

He was also a member of Thompson's international board, and for six years chairman of the UK Advertising Association. Since 1988 he has been a non-executive director of The Guardian and Manchester Evening News, and of the WPP Group, which owns Thompson.

I caught up with the LNT on his home territory in Mayfair, in a tiny pub in Farm Street a few doors along from WPP and only a stone's throw from his former agency.

I had wanted to ask the LNT if he had ever known a period in business like the present one, when the word "boom" appears to be a dirty one.

I said: "Advertising is booming, isn't it? In the first half of this year UK advertising enjoyed real growth close to 8.5 per cent, and is expected to continue at something like that rate for quite a while.

"When I was a reporter covering the ad business, in the early 1980s, agencies would have been ecstatic at growth like that – which, of course, they were used to. There were parties every day, people rolling in the street, joy unconfined. But now it's all so quiet. People working slavishly, too busy to count the money. Have you ever known a period like it?"

"No," said Jeremy, "not in 40 years, but then you are using boom in the technical sense, extracting it from the figures, whereas it doesn't feel like a boom and nobody's got the time even to mention the word – partly or even mainly because of fear of nemesis, God and downfall. No one is tempting fate. Even the go-for-its aren't mentioning the boom word."

"Go-for-its?"

"Yes. In business there is always a struggle between the go-for-its and the tooth-suckers. This is especially true in advertising. At present, the go-for-its are in thrall to the tooth-suckers. And the longer the tooth-suckers remain in the ascendancy, the longer the pain will last."

"Are you a go-for-it?"

"Not at all. I am an in-between. Call me a finger-crosser. I hated a lot of that stuff in the 1980s. It takes the joy out of life if you have to be mindlessly expansionary all the time, always saying go-for-it, whereas the present mood suits me. I quite like caution. At present there is a good balance between optimism and caution which suits my temperament. For advertising, it's healthy. It came to a point in the 1980s when some clients were telling their agencies that what they wanted was famous advertising – advertising that people would talk about.

"It was a vanity thing, and really quite preposterous. Somehow, advertising had become confused with 'creativity' and the winning of awards – a minor art form instead of part of the commercial process. Believe it or not, there were debates going on about whether agencies should be 'marketing' or 'creative' shops. The reason for advertising was being lost sight of."

"And that reason is?"

"The only reason for advertising is that your client is better off having spent his money with you than he would have been if he hadn't."

The collected thoughts of Jeremy Bullmore can be found in his book, *Behind the Scenes in Advertising* (NTC Publications). Chapters include: What sort of family does this Jaffa cake come from?, The hair restorer that didn't, High noon at Elkhart, Indiana, and Never use irony in Chicago.

It has a sensationally brief introduction by fellow adman David Ogilvy, which starts: "I read this book in bed last night. Fascinating."

But pay no heed to Ogilvy. *Behind the Scenes in Advertising* is one of the best books on the business you are likely to find or need. Just what you would expect from an LNT.

PIONEERS AND PROPHETS

Thomas Watson Sr

Few business people create companies in their own image which then thrive after their departure. Most plummet after the final farewell from the great leader, unable or unwilling to carry on as before. Thomas Watson Senior (1874-1956), the man behind IBM, is one of the rare exceptions. Under Watson, IBM became the stuff of corporate and stock market legend.

Watson created a corporate culture which lasted. IBM – Big Blue – became the archetypal modern corporation and its managers the ultimate stereotype with their regulation sombre suits, zeal for selling and company song. Beneath this, however, lay a belief in competing vigorously and providing quality service. Lesser competitors complained that IBM's show-line was [illegible]. This was only partly true. It also masked a deeper commitment to managing customer accounts, providing service and building relationships. These elements were established by the demanding perfectionist, Watson.

"He emphasised people and service – obsessively," noted Tom Peters in *Liberation Management*. "IBM was a service star in an era of malperforming machines."

IBM's origins lay in the Computing-Tabulating-Recording Company which Watson joined in 1914. Under Watson the company's revenues doubled from [illegible] to $8.3m by 1917. Initially making everything from butcher's scales to meat slicers, its activities gradually concentrated on tabulating machines which processed information mechanically on punched cards. Watson boldly renamed the company International Business Machines. This was, at the time, overstating the company's credentials, though IBM Japan was established before the second world war.

IBM's development was helped by the 1937 Wages-Hours Act which required US companies to record hours worked and wages paid. The existing machines could not cope and Watson instigated work on a solution. In 1944 the Mark 1 was launched, followed by the Selective Sequence Electronic Calculator in 1947. By then IBM's revenues were $119m and it was set to make the great leap forward to become the world's largest computer company.

While Watson Sr created IBM's culture, his son, Thomas Watson Junior (1914-1994) moved it from being an outstanding performer to world dominance. Yet, the strength of the original culture remained intact. Indeed, Watson Jr fleshed it out, creating a framework of theories round the intuitive and hard-nosed business acumen of his father.

"The secret I learned early on from my father was to run scared and never think I had made it," he said. And, sure enough, when IBM thought it had made it the ground slipped beneath its previously sure feet.

In *A Business and Its Beliefs*, an extended IBM mission statement, Watson Jr tellingly observes: "The beliefs that mould great organisations frequently grow out of the character, the experience and the convictions of a single person." In IBM's case that person was Watson Sr.

Stuart Crainer

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Systems groups push for more cash from the EC

SIX says money should be switched from research. Alan Cane reports

Davoli: "It is time for industry, the EC investors to unite to realise an information society for Europe"

Europe has been pondering for almost a decade on the need to develop community-wide computer networks to promote and encourage its local information technology industry. It was the troubled hardware manufacturers, Siemens Nixdorf, of Germany, Groupe Bull, of France, and Olivetti, of Italy, which seemed the most likely beneficiaries of plans to build a computer-based "nervous system" to co-ordinate government activities in the EC.

As multimedia and the information superhighway have grown in importance, things have changed. Now it is the computing services companies which are claiming the right to build Europe's information future.

The SIX (Services Informatics Expertise) Advisory Group represents Europe's top computing services companies – Cap Sogeti Gemini and Sligos, of France, Sema Group and Logica, of the UK, Finsiel, of Italy, and six more. They are asking the commission to divert funds intended for pre-competitive research into hardware and software development into support for projects like a system for the exchange of environmental information covering some 15,000 databases.

Pier Paolo Davoli, chairman of SIX and chief executive of Finsiel, argues that a new model, involving close collaboration between governments, companies and customers, is necessary to develop applications for the superhighway. SIX believes that it is in a unique position to understand the kind of systems – applications – which would be of value, because services companies traditionally collaborate closely with their customers. They have to understand their business needs in order to develop effective software and systems. Computer hardware suppliers and telecoms operators have rarely formed such close links.

The group argues that Europe's taxpayers have not had value for money from the EC's "Framework" research programmes. These traditionally provide 50 per cent funding to encourage companies and educational establishments to collaborate on pre-competitive research, basic research which can be used by any of the partners to develop commercial products. The EC has already agreed to spend £2.6bn over the next five years on basic research in information technology, as part of the fourth Framework programme.

Davoli says there is no need for research to development more computer hardware or software. Technology already in existence is adequate to build systems which will meet the needs of Europe's citizens and act as models for tomorrow's information society.

He gives as an example the Europe-wide Social Security Network (SoSeNet). This was developed by a consortium, including Cap Volmac, of the Netherlands, Finsiel and Sema, with the aim of facilitating the free movement of people, especially migrant workers, through improved exchange of data between Europe's administrations. The network is now up and running, although exchanging limited data at present.

Davoli says: "It is time for industry, the European Commission and investors to unite to realise an information society for Europe". He adds that the SIX's plans do not involve new money; he envisages pump-priming funds being diverted from the existing Framework programme.

The SIX proposals are contained in a submission to Martin Bangemann, the industry commissioner, who earlier this year issued a report setting the scene for the development of multimedia and the information superhighway in Europe.

The SIX is in broad agreement with the Bangemann report which emphasised that time was short and that nothing would happen automatically. It also said that the private sector and market forces should be responsible for the creation of the information society, adding that existing public funding should be refocused to target the new requirements".

The SIX group makes four specific proposals:

- Ways have to be found to bring together, at an early stage in a project, groupings of users and suppliers to identify priorities, establish market demand, define applications and test the feasibility of applications with potential customers. SIX is floating the idea of a "User Club" as one way forward.
- SIX argues that new partnerships will have to be established between customers, suppliers and investors if large projects are to be realised. It is, however, against the conventional consortia approach, led by Europe's large companies, which lacks flexibility and entrepreneurial flair.
- It says there must be a clear customer for each project, to drive it forward and ensure it is commercially attractive. This touches on the argument at the heart of the superhighway debate: what services will customers be prepared to pay for? SIX says: "Where market research suggests demand will be there, but customers are not ready for the service, then the EC or a supplier must act as a 'customer' throughout the project. It is vital for Europe to take the opportunity soon."
- Funding is, SIX accepts, a difficult issue. It has to support and stimulate the players without simply subsidising them. It says present practice of part-funding research and development projects will not create the momentum needed for commercially-realistic pilots and trials which could be expected to grow into full-scale superhighway applications: "There needs to be more EC funding at the start of projects, to establish momentum. After this, the private sector will be better placed to invest." SIX concludes.

Wanted: superhighway cops

By Alan Cane

The imminent arrival of traffic cops and tax inspectors on the information superhighway has been forecast by one of the UK's leading technologists.

Looking ahead to some of the less obvious consequences of the emergence of what he describes as "infobusinesses", John Taylor, head of Hewlett-Packard's European laboratories, says new laws could be needed to regulate a technology which takes no heed of barriers of space and time.

What are infobusinesses? Operating in the "information marketplace" they are similar to today's physical businesses, but the customer travels electronically around the marketplace and his or her purchases are delivered electronically. Taylor gives as examples tele-healthcare, tele-learning and tele-brokering and trading.

"We shall need," he says, "the ability to monitor and audit transactions in the information marketplace, which inevitably means that we need the electronic equivalent of the police to detect and prosecute crime, evasion and fraud."

He thinks, however, that the information marketplace will not truly arrive until its transactions can be taxed like any other business area. "This is patently not the case today," he says.

"There are probably hundreds of millions of dollars worth of intellectual property criss-crossing national borders every year without paying any customs duties or taxes.

"This is happening not just on the Internet, but on thousands of private and commercial networks all over the world. We have not yet invented the electronic customs inspector for electronic objects moving at the speed of light over the invisible superhighways"

Intellectual property rights and privacy were issues which demanded further attention. Once an intellectual property like a book or picture is connected to an information network, it loses its financial value because it becomes freely available to everybody on the network. "No pop video company would connect its current top 50 video albums on-line to the Internet at the moment, because there is no way of ensuring a copy sold to someone and sent to them on the net is not replicated a million times by the purchaser, and sent electronically around the world."

Taylor is fascinated by the idea of the ubiquitous distribution system of small, inexpensive video cameras. Some might be used to promote peace of mind – "did I leave a saucepan on the gas?", while others might monitor speeding drivers, automatically sending messages across the network to debit their bank account on a scale equivalent to the magnitude of the offence.

Now TV mouths match words

By Raymond Snoddy

Thanks to computer technology, Robert Redford and Meryl Streep may soon be able to speak Japanese effortlessly. A new system, developed by a Chicago computer specialist, should remove the main flaw with dubbing television programmes into different languages – the lips move in often ludicrous and inappropriate ways in relation to the words.

The flaw has prevented the broadcasting of thousands of hours of high-quality programmes, because English-speaking TV audiences are hostile to sub-titling, and do not much care for work that is too obviously dubbed.

The new system, developed by Mr Richard Blomstein and his small company, Dynamic Refilming, bridges the gap between the words and lip movements.

The process, which has been patented in leading markets, will be marketed and distributed worldwide by Primetime, a leading UK independent producer and programme distributor.

Richard Price, the Primetime chairman, said yesterday the first commercial use of the new dubbing technique would come within the next six months in London. The mouth of the actor dubbing a programme is filmed as he or she records the new sound track. The tape is then fed through a computer program that lines up this film with the original actor's mouth movements.

"The original actor's mouth is moved electronically so that the lip movements are in sync with the mouth movements of the dubbing actor," says Price.

Existing dubbing techniques are fine for long- and medium-range shots. On Average, the close-ups which would be electronically reworked make up about eight to 10 minutes of an hour-long drama. Using the new technique would typically double the £20,000 dubbing costs of a 90-minute film.

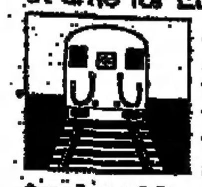
"What I am hoping is that this will open up a vein of marvellous German, French and other foreign-language programmes, so that we can put them into [English-language] TV and cable channels," says Price. The technique could also be used to make dubbing more realistic in any language.

At the moment, Price is concentrating on TV, but the same principle could be used for feature films, although high-definition tape would probably be needed to get prints of sufficient quality.

"You are going to have the opportunity to move programmes between languages more easily and open up this mine of material to meet the increasing requirement for quality programmes," says Price, who plans to start marketing the technique in March.

BUSINESS TRAVEL

In time for Eurostar



A reader has telephoned the FT, furious about the treatment he received from Eurostar, the new cross-Channel train service, *writes Michael Skapinker.*

The reader had booked his journey from London to Paris through a travel agent, paid his fare, received his ticket and arrived to board his train at Waterloo Station.

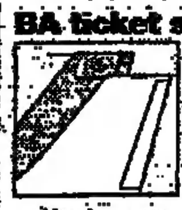
He was stopped at the gate by Eurostar staff who told him he could not board because he was too late. He protested that the train had not yet left, but Eurostar staff insisted he did not have enough time to board it. He was supposed to arrive at least 20 minutes before departure.

The aggrieved reader says he was not told about the 20-minute rule.

However, Eurostar insists that its staff were acting according to proper procedures. Eurostar passengers must arrive at least 20 minutes before departure so that they can go through security.

A notice on the ticket wallets makes the 20-minute rule clear.

BA ticket scam



British Airways is to tighten up ticketing procedures after a reservations clerk allegedly worked a scam which gave him £160,000 worth of free trips.

The clerk allegedly made fake reservations on BA's Concorde booking computer which enabled him and a friend to qualify for the airline's frequent-flyer, free-travel incentive scheme, Air Miles.

The tickets were not paid for or collected and were in a false name. After the flights took off, the clerk allegedly changed details on the reservations computer so it showed the pair had been aboard.

Florida fear

More than two in five British travellers are still worried about visiting Florida, despite its new anti-crime measures, according to a survey last week.

However, the "Florida fear" figure of 41 per cent was down from 50 per cent a year ago, according to the survey from travel insurance company Home & Overseas.

There have been a number of attacks on tourists in Florida, including the killing of a British holidaymaker.

Shanghai ring road

Shanghai was celebrating last week. Flags flew and multi-coloured bunting hung from tall buildings.

The cause of the joy was the opening of the city's elevated ring-road in China's largest city.

Traffic jams are probably the biggest headache in Shanghai, which is why the Liberation Daily devoted its front page to the story under the banner headlines "A Glorious Historical Monument Appears".

The four-lane road loops over the Huangpu river that divides Shanghai's old Puxi district from the fast-emerging Pudong development zone. It connects with two suspension bridges.

New York bans smoking

New York City took a big step last week towards enacting one of the US's toughest smoking bans.

The city council's health committee voted to approve the ban and the entire council is expected to approve it on December 21.

Under the ban, smoking would be limited to the bar area in restaurants seating more than 35 people, and nearly eliminated in office buildings. It would also prohibit smoking at open-air sports arenas and zoos. Outdoor cafés must provide no-smoking areas.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	14	13	12	10	9
Hong Kong	26	22	21	22	23
London	14	11	7	7	9
Frankfurt	12	11	6	4	4
New York	2	4	6	3	4
L Angeles	16	17	17	18	20
Milan	13	11	15	9	8
Paris	13	11	6	5	8
Zurich	10	9	6	2	4

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Magic needed for Cinderella airports

Charles Jennings on UK prospects outside London

When will Britain's regional airports lose their Cinderella status? Mr Brian Mawhinney, UK transport secretary, has said they will be part of "the largest unilateral air transport liberalisation" programme Britain has seen – thrown open to any UK or US transatlantic carriers who want to use them.

Yet his announcement was greeted in areas such as Glasgow and Leeds with only muted enthusiasm. "Realistically," says a spokesman for Glasgow airport, "I don't see a lot coming from Brian Mawhinney's changes."

In order to expand and to offer the transatlantic or far eastern destinations which would attract more passengers, the regional airports will have to entice some cautious long-haul carriers to move to what, in aviation terms, is the middle of nowhere.

The difficulty is that the carriers will not move until there is proven demand outside London. And there will not be a proven demand until the carriers offer the flights.

At present, many regional airports are able to offer only feeder flights into London and limited services to the rest of Europe. Business travellers, therefore, tend to see them as mere staging-posts, rather than useful in their own right.

"Even when we've got the services," says one airport operator despairingly, "quite a lot of the time, the local business community doesn't know our services exist."

Changing travellers' perceptions could be tough. Leeds/Bradford airport, which has just been granted permission to operate 24 hours a day from next spring, has embarked on a £7m scheme to enlarge its facilities and install all-weather landing equipment.

At present, only about 800,000 passengers a year pass through Leeds/Bradford, taking scheduled flights to some 12 destinations – more than half of them within the UK. A large proportion of its flights go to London Heathrow or Gatwick. The number of passengers compares with 5.4m who use Glasgow annually and 50m a year who pass through Heathrow.

A Leeds/Bradford airport spokesman admitted: "Businessmen would still rather put up with having to fly to a bigger airport and change, so as to have the greater frequency of flights."

Even at Glasgow, US airlines United Airlines and NorthWest recently discontinued transatlantic services, because demand no longer justified the expense of keeping them going.

However, prospects are not all gloomy for regional airports. American Airlines, for example, plans a service to Chicago from Birmingham international airport from next summer.

Birmingham has a lively expansion programme, called Vision 2005. It includes new terminal capacity and a longer runway, and is intended to raise passenger levels from 4.5m to 10.5m by 2000.

In this, Birmingham is fighting not only the London airports, but also a regional rival: Manchester.

Indeed, Manchester is Britain's star regional airport, handling 13m passengers annually, which puts it third in the league table of UK passenger volumes after Heathrow and Gatwick. Also – crucially – it boasts daily flights to New York (British Airways) and Chicago (American).

"We're lobbying hard for more transatlantic routes, with a possibility of services to Miami and Detroit," says a spokesman. "We've also had indications from far eastern airlines of interest in long-haul flights, but we're waiting for Brian Mawhinney to announce the same open-skies policy for the far east as he did for the US." (Manchester already offers a regular service to Hong Kong.)

Manchester also plans to build a second runway, giving it the same potential capacity as Heathrow and raising passenger numbers to 30m in the next 10 years.

The tide may even be turning in Manchester's favour, as Heathrow finds itself at the limits of its capacity, with no third runway in sight.

Reach for the skies: an aircraft leaves Manchester, the UK's most successful regional airport Mike Aron

Smart Guide: Amsterdam

Get on your bike

What is the best area in which to stay?

Definitely stay in the city centre. Amsterdam is compact, so even if your meeting is at one of the new office complexes on the outskirts, you'll be able to get there in 20 minutes or less by taxi.

The ritziest hotel is the five-star Amstel, which attracts royalty, pop stars and the seriously wealthy. A single room costs Fl 650 (£241) a night, a double Fl 750. For those who want to be even closer to the main canals, popular choices for business folk are the Pulitzer, with single/double prices of Fl 395 and Fl 455, and the SAS Royal Hotel, at Fl 400/Fl 470. A smaller and more intimate hotel, one popular with repeat visitors and those on longer stays, is the Ambassade on the Herengracht canal, room prices Fl 225/Fl 275, suites Fl 365/Fl 390.

Restaurants?

Dinner is no problem. A stroll around any of the main hotels will yield a variety of restaurants. Lunch, however, is more of a struggle. There is no lunch culture to speak of, so even some of the best restaurants can be deserted and lifeless in the afternoon.

One exception is Café Roux in The Grand, a luxurious hotel in what used to be the city hall. Brasserie Luden, on the Spui, a lively area of bars and restaurants, also attracts lunch-goers.

Across the street is Kantjil, an Indonesian restaurant with an informal, modern interior but a traditional range of specialities, including *rijstafel*. If the weather is good (a not-too-frequent occurrence), try lunch in the garden of the Het Tuynhuys restaurant, in the street behind the flower market.

The advantage of this Dutch aversion to lunching is that you won't need a reservation to get a table. Be warned that a lunch-time meeting at someone's office can mean a couple of cheese rolls, a glass of milk and an apple or banana.

How about entertainment?

Dutch bars open early, close late and come in many varieties. An Amsterdam institution is the *bruin café*, or brown pub, a result of wooden furnishings and years of cigarette-smoke. Try the Molenpad on the Prinsengracht canal if you want to combine "brown" ambiance with good, informal food. The Spui is home to a number of packed bars and cafés, including Luxembourg and Hoppe.

There is also a casino, located near the Leidseplein. Entry costs Fl 5. Identification is required (driver's licence or passport), and sports shoes are not allowed.

Most nights there is something on at Amsterdam's famed Concertgebouw. Ticket prices are quite cheap, compared with London, Paris or New York, because of generous state support for the arts.

Quirks of local business?

The Dutch are punctual, straight-talking and relatively informal at the office. It is normal to be introduced to an executive's secretary or assistant before a meeting. Everyone, from the chairman to the chairman's secretary, will shake hands. When in doubt, proffer your hand in greeting.

The Dutch are also family-orientated and protective of their free time. Breakfast or late-evening meetings are generally not appreciated.

Suppose I have a spare day?

The cities of Leiden, The Hague and Rotterdam are an hour or less away by train – all three are on the same rail line.

The countryside is best explored by bicycle. Bikes can be hired by the hour or day at most train stations. The town of Castricum is a good starting point for exploring the dunes and sea defences of the North Sea coast.

The compactness of the Netherlands is a boon to those in transit between flights at Schiphol airport. Holland Tours Schiphol (tel: Amsterdam 653-4745) has recently started tours lasting a couple of hours or even several days for transit passengers. They use six-seater luxury vans. A popular destination in April and May is expected to be the tulip fields and flower show at Keukenhof, about 20 minutes south of Schiphol.

Ronald van de Krol

ARCHITECTURE

In the spirit of Brunel

Colin Amery gives his opinion on Britain's Building of the Year

An amusing architectural conversation took place on the BBC *Today* programme the other day. On the one hand was Nicholas Grimshaw, architect of the Eurostar Terminal at London's Waterloo Station, on the other was Giles Worsley, editor of the architectural magazine *Perspectives*.

They were there to discuss the award of "Building of the Year" to the new Waterloo Terminal, in the hope that "high-tech" and "traditionalist" would conduct a fierce battle of the styles. It was not to be – perfect harmony reigned. Waterloo Terminal, as we had all noticed, was as traditional as St. Pancras Station. The blood of Isambard Kingdom Brunel flowed in the veins of Nicholas Grimshaw, and all the fuss about the naive ugliness of the "high-tech" style, or the absence of any referential language in modern architecture, was forgotten.

Does this mean that the polarised arguments about contemporary architecture are over? Will modernists and traditionalists lie down together like lambs? I do not think it is as simple as that.

The fact that the new Waterloo Terminal has won a place in hearts of the different factions is a recognition of certain common denominators of quality. It is also a recognition of the fact that Grimshaw's big curved shed at Waterloo is based firmly upon designs from the past. It does not break any structural records; it succeeds because it is a pragmatic solution to a series of functional problems. Whether it is great architecture is probably more debatable.

The most difficult problem for the architect at Waterloo was to design a roof to cover five railway tracks with no space for any platform on the outermost edge of the station. This means that on one side the track is right up against the side of the shed. To deal with this the roof is made up of two beams that apparently lean on one another as they span the platforms.

As the platforms curve and the roof also gets narrower as it comes to the end of the longest platforms, the whole thing takes on the character of a sinuous blue worm that almost appears to move and wriggle to accommodate itself to the awkward site.

Much of the credit for this building should go to the engineer Anthony Hunt, who worked so closely with the architect. Between them they managed to turn what might have been seen as the insuperable disadvantages of the difficult site into clear benefits for the design. What I particularly admire are the vigorous joints. Where the great beams hit the ground or each other they are linked by giant three-pin metal fixings.

The whole roof can turn at these hinges as the metal expands, or if a hurricane blows. There is also movement in the platforms. As a train arrives the platform moves because it is resting on a series of steel plates, allowing it, and the roof, to roll imperceptibly. Such ingenious engineering deserves to win prizes. But the title "Building of the Year" was awarded also because the terminal building is popular with travellers. Whether it will work so well when there are more frequent trains and more crowds with more luggage will take time to prove.

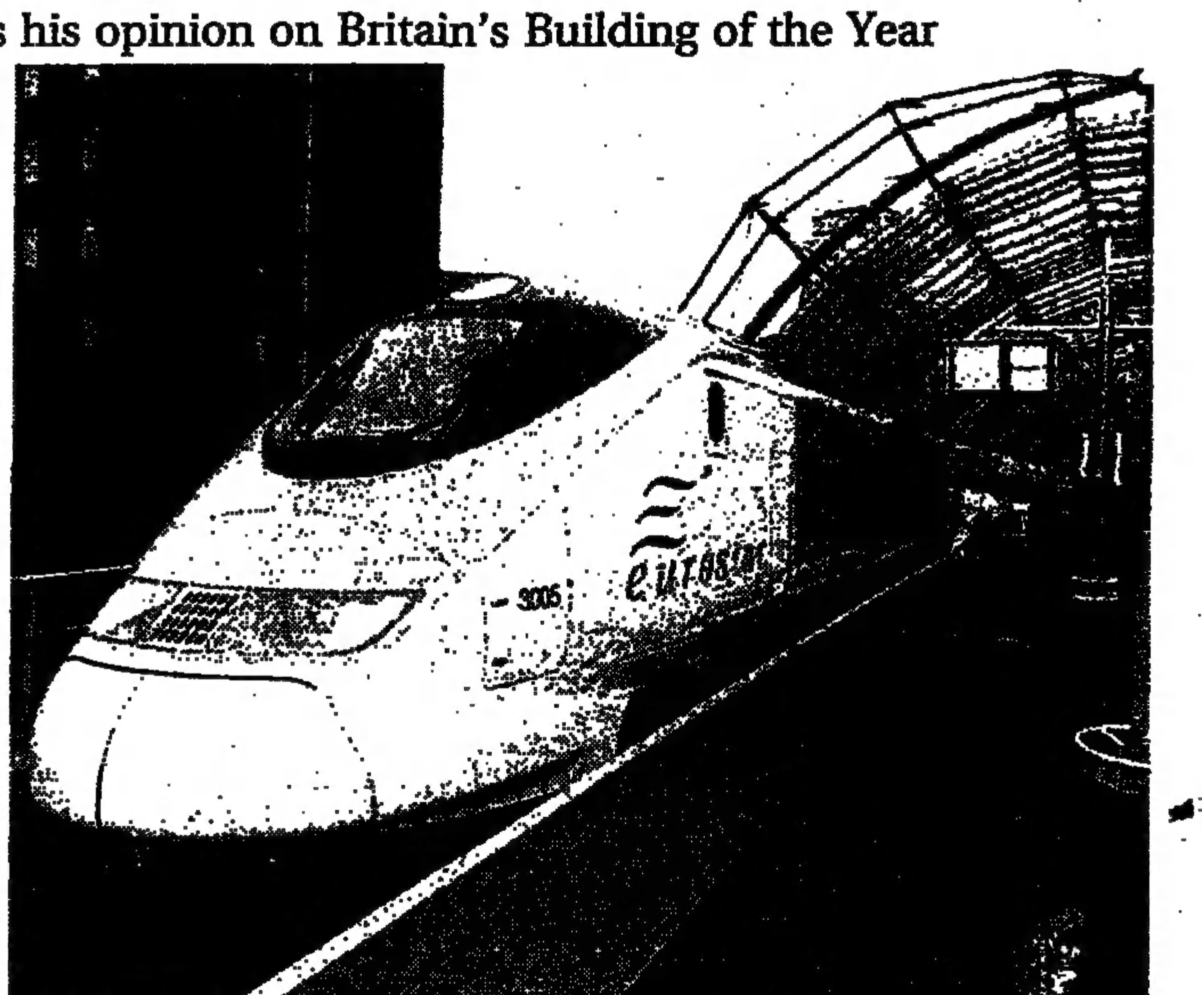
What has been successful at Waterloo is the simple fact that the place still feels like a railway station. The wish to make travelling by train as much like flying as possible has been almost totally resisted. Certainly there is a real sense of arrival at Waterloo, which is in marked contrast to the very low-key atmosphere at the Gare du Nord.

What was the competition for this "Building of the Year" award? There was another railway station – Manchester Airport Station by Austin Smith: Lord and Partners. There was the brilliant conversion of the Gas Hall in Birmingham into an exhibition space by Stanton Williams; the Tate Gallery at St. Ives by Evans and Shalev and the opera house at Glyndebourne by Michael Hopkins and Partners. There was also a surprising number of new churches and libraries – and a marked absence of new commercial offices.

The growth of fundholding general medical practitioners has also caused a considerable increase in the number of new, and frequently well-designed medical practice buildings. One of the best was the Oswald Medical Practice in Chorlton cum Hardy in Manchester. This is a clever mixture of old and new. The basis of the practice is a Victorian house which has been partly restored but has also been added to, with very striking modern additions that contrast rather than adapt to the context. The architects are Hodder Associates.

Perhaps the clue to the new catholicity in architecture and the almost worrying agreement between all parties to the stylistic debate is in the willingness to adapt the new to the old. Recently, talking to one of the very best architects in the world who is based in London we shared our disappointment that so many of the schemes applying for help from the Lottery or the Millennium Fund are not brave new buildings but adaptations of old ones. But perhaps that is not such a bad thing – the Waterloo Terminal demonstrates how much the new can learn from the old, and how the result can still be both original and popular.

The RIBA Awards are sponsored by Interbuild.



The new Waterloo Terminal: has won a place in hearts of different factions

هكذا من الاصل

PEOPLE

Attacked by 'party of war'

Vladimir Gusinsky fears Russia is swinging right. John Lloyd reports

"Most," says Vladimir Gusinsky, "is a test case – of whether or not there can be civil society here, a development of democracy and of a business culture."

Founded in October 1991 by Gusinsky, its president, the Most group includes a bank, investment and construction interests and, most controversially, media interests: the Sevodnya daily newspaper, the Echo radio station and NTV, a TV channel.

Most's backing has given Sevodnya, NTV and Echo a financial independence which is unique in the Russian media, and they have capitalised on it to become the Kremlin's most outspoken liberal critics. Over the past 10 days, the state has struck back: Gusinsky's bodyguards were brutally and publicly beaten by President Yeltsin's personal security forces and border guards sought to detain Gusinsky when he left for a weekend in London.

Gusinsky fears that the government attacks on Most are part of a more general swing to the right.

"Russia today is at the crossroads," he says. "We have a party of war and a party of peace, and it is not clear who will win." It is the party of war, Gusinsky believes, which was behind the recent attacks on Most. The war party won another victory yesterday, when Moscow unleashed its army against the break-away Chechen republic.

His media interests have been fiercely opposed to fighting a war in Chechnya and Gusinsky warned over the weekend that: "You cannot win in Chechnya without killing every man, woman and child. If we start a war there we might end up killing democracy in Russia."

It is a dramatic warning, from a businessman with the flair of the theatrical director he trained to be. Where many of the new private business people practice discretion, he appears to say what he thinks.

In a country where most Jews still play down their ethnicity, he mentions his own Jewishness naturally. Where links between business and politics are mostly subterranean, his closeness to Yuri Luzhkov, the Moscow mayor, is treated as a public issue (his bank has a large part of the Moscow city account) – though how far each benefits from the patronage of the other is unknown and unsaid.

Ten days ago, Gusinsky learned that, in Russia, prominence still has a high price. Early in the day, armed men in paramilitary gear, but with no distinguishing badges, appeared at his dacha, in the elite Uspenskoye area just outside of Moscow. At mid-morning they went to his office and asked his guards questions. At around five o'clock, as tension grew, the unidentified paramilitaries seized some of Gusinsky's bodyguards and drivers, forcing them to lie face down on the snow-covered ground for two hours. Ivan Latvinenko, head of the Bank's security, was so badly injured he was sent to hospital.

Gusinsky called Yevgeny Sevostyanov, head of the Federal Counter-Intelligence Service for Moscow. Sevostyanov sent his officers and learnt that the unidentified paramilitaries were members of the presidential guard. Their commander is General Alexander Korzhakov, a man who, on President Boris Yeltsin's own admission, is one of his closest confidants. Within hours of this identification, Sevostyanov was fired – a result, he has since said, of naming the "guilty men".

The presidential guard later said it was their duty to arrest "unidentified armed men" on President Yeltsin's normal route to work. Gusinsky says he has been travelling that busy road, with an armed bodyguard, for over a year.

President Yeltsin has expressed regret about the incident. But Gusinsky's fellow bankers have protested vigorously. Says a fellow banker, a friend and admirer of Gusinsky's: "Volodya [Vladimir] was taught who's boss."

In his office on Friday, his usual bubbly jokiness gone, Gusinsky said: "It is on a knife edge, whether it gets worse and whether we are under even greater threat."

Most is already hyper-careful over security. It has some 3,000 men under arms, many working as guards for the bank's branches, and in some cases big clients. But Gusinsky has been advised to take even more care. Flying to London, he eschewed his own aircraft in favour of British Airways, but expressed fears that even a commercial flight might not be safe. At Sheremtyevo in Moscow airport on Friday night, border guards initially forbade him from leaving the country – a ban that was only lifted after his colleagues contacted the president's office.

Gusinsky is deeply worried. He believes next year will be the most dangerous facing Russia since the collapse of the Soviet Union. "People again fear to speak out, to be identified, to cross the president. It goes back to our past. The country has to make a choice, whether to live freely, or to lose that freedom."

He does not blame President Yeltsin for the attack on Most, but says the course Russia will take "all depends on the president. He has so much power now, concentrated in his hands."

The security guards affair was, he says, an attack on Most and its media interests, although he insists "we are interested in the mass media, because we are interested in making money from it. We have no particular policy. We are against communism and against fascism, that's about it."

This is disingenuous. His paper, his radio station and his TV channel are liberal – in the Russian context, very liberal. Their views cannot be choked off by being deprived of funds.

Gusinsky has done nothing by halves. The party last month to celebrate Most group's third anniversary took over the public rooms in Moscow's grandest hotel, the Metropole. His headquarters are in the middle of political Moscow, inside city hall. The director of his small private army is General Bobkov, formerly the head of the KGB's fifth directorate, which dealt with, among other things, dissidents. This appointment has earned Gusinsky much criticism. Most's KGB connections were the subject of a fiercely critical article in the Wall Street Journal. Gusinsky is taking legal action over the story.

Gusinsky has close business connections with Moscow's mayor Luzhkov, a powerful, domineering figure, and one increasingly spoken of as a presidential contender. Gusinsky's describes him as "a personal friend." Their links have inspired allegations of corruption, though none have ever been proven.

Most observers believe the attack on Most was meant to cut Gusinsky down to size and warn Luzhkov off standing in presidential elections, due in 18 months.

Above all, Gusinsky has learned again – as he must have already known – that business is inseparable from politics. All he can do is hope he can save himself from being a political victim. To be a political innocent is not a choice.

N NAMES IN THE NEWS

Humer homes in on Roche

Roche, the Swiss pharmaceuticals group, has once again shown its opportunistic flair for snatching a top executive from a rival, writes Ian Rodger.

This time it is Franz Humer, a becalmed number two at Glaxo, who will move to Basle next year to head Roche's drugs division. Humer will replace the retiring Armin Kessler, whom Roche grabbed from its Basle neighbour Sandoz in 1982. Jürgen Drews, R&D director, is also a Sandoz alumnus.

Humer, 48, an Austrian turned Swiss, is also a member of another group: graduates of the Schering-Plough European executive apprenticeship programme in Lucerne.

In the 1970s, Max von Dach, then head of Schering Europe, started the practice of hiring a promising young graduate as his personal assistant. Humer, a graduate of the University of Innsbruck and Insead, was the first of several to go on to distinguished careers.

He was followed by Peter Simon, head of Roche pharmaceuticals until last month, Jean-Pierre Garnier, chairman of SB Pharmaceuticals, Jean-Charles Tschudin, former president of Syntex in Europe, and Hans-Jörg Kummer, the boss of Schering-Plough Europe.

Humer has gone to ground since last week, but former colleagues and acquaintances describe him as being demanding with a touch of arrogance. "He is good at getting what he wants. Roche's country managers will find him more difficult than Peter Simon," one said.

Max von Dach recalls that Humer was "always ahead of the others", and seemed confident he would adjust to life at the austere Roche. "He is a very flexible guy. At least he was when I knew him."

On a wing and a profit

European tour operators should be keeping an eye on Vassilis Plevris, writes Kerin Hope. The chairman of Cretan Airlines, a charter operator based on his native island of Crete, runs the only Greek carrier making a profit.

Plevris started out as a theology teacher on Crete after paying his way through university by working as a bell-hop at one of the island's first big hotels. Now he owns two luxury hotels near Heraklion, the capital.

Together with a group of Cretan hoteliers and travel agents, Plevris decided two years ago that there was room for a local airline to carry package tourists to Crete from Germany, their main market. So the moment Greece permitted private airlines to start competing with Olympic, the state carrier, Plevris and his friends leased two Airbuses from Adria, the Slovenian airline, and started flying.

No matter that their German agent, the tour operator Mit Uns Reisen, went bust this season, owing Cretan Airlines Dr800m (£2m). Cretan now controls five per cent of the total package tourist market to the island and forecasts modest profits this year of around Dr32m. There is room for growth: next year, more than 3.6m tourists are expected to visit Crete, a 20 per cent rise on this year.

Cretan already offers scheduled flights to Athens at cheaper prices than Olympic. Its 3,000 shareholders are encouraged to fly the flag – Cretans are notoriously chauvinistic about their island. Cretan also lays on charter flights to Paris for locals in winter – the time of year when islanders have the time to spend the money they make out of tourism.

The ebullient Plevris is an archetypal Zorba the Greek character; board meetings are likely to continue at the *cafeneion* to the accompaniment of Cretan cheeses and generous measures of *tsikouthia*, the island firewater.

Plevris now wants to start island-hopping routes across the Aegean for tourists based on Crete. Cretan is acquiring two new Dornier 30-seater aircraft. Eventually, he wants Cretan to become a regional carrier for the south east Mediterranean.

Now that Olympic is finally being restructured, plenty of experienced airline executives are available. Plevris expects to reinforce Cretan's technical and marketing arms with energetic managers keen to take early retirement from the public sector.

Bruno on a roll at Credit

For Egidio Giuseppe Bruno, managing director of Credito Italiano (Credit), it must seem a long time since November 1993, writes Andrew Hill. That was when he led a road show to London to promote the privatisation of the Milan-based bank; it's even longer since the 1950s when he first joined what was then a staid, state-controlled institution.

In the last year, IRI, the Italian state holding company, has successfully sold its 67 per cent stake in Credit, Bruno has added the titles of deputy chairman and chief executive and he now finds himself in the front-line of a battle for control of Credito Romagnolo (Rolo), the Bologna bank. The staid state bank has become a hungry private company.

There is no doubting Bruno's knowledge of the peculiarities of the Italian banking system. He is on the executive committee of the Italian banking association and is a director of Mediobanca, the secretive and influential Milan merchant bank.

But for more than a decade he has also been prominent in international banking circles, one reason (apart from his fluent English and excellent French) why he is always a key member of international road shows promoting the Italian financial markets.

In the 1980s, Bruno managed Credit's London branch – established in 1911 as the first London offshoot of an Italian bank – and was chairman of the Association of European Banks and the Association of Foreign Banks operating in the City. Returning to Milan eight years ago, he quickly accumulated responsibility for the Americas and Asia, for international business, and eventually for the management of the whole Credito Italiano network in Italy and abroad. If anybody can convince Rolo's shareholders of the advantages which a deal with Credit would provide at home and abroad, it is probably Bruno.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Bowthorpe 1.96p
British Dredging 2.6p
British Funds £8
BTR ADR $0.4077
Can. & Foreign Secs. C$2
Chevron $0.4625
Cobham 2.7p
DKB Asia Flg./Fixed Rate Nts. '01 $2,742.64
Eaton Fin. 12¼% Un. '14 £6.25
Eksportfinans 7¾% Nts. '96 $393.75
Fuji Bank Intl. Fin. Perp. FRN $14,861.11
Goldsmiths 0.8p
Great Universal Stores ADR $0.1817
Harrisons Crosfield 3.8p
Honda Motor Y7
Honeywell $0.25
Kleinwort Devl. Fund 8.25p
Kubota FRN 1997 Y88,881
Lilly (Eli) & Co. $0.625
Mobil $0.85
Monsanto $0.63
Oceana Cons. 0.625p
Royal Ins. 7¼% Cv. Sub. '07 £181.25
RTZ Corp. 9p
SABRE Intl. 2 N Var. Rate Nts. '96 Y65,880
Do. Series Q '98 Y70,936
Sapporo Brew. FRN '97 Y663,542
Smith & Nephew 2.02p
Sumitomo Bank Cap. Markets 2003 $27,236.11
Sumitomo Heavy Inds. FRN '98 Y70,778
Do. Sumitomo Realty & Devl. 3.05% '97 Y224,513
Do. 3.55% 1999 Y261,319
Taisei 7.1% '98 Y710,000
Do. 7.1% '99 Y710,000

■ TOMORROW
Andrew Sykes Cv. Pf. 3.5p
Limited $0.09
Lloyds Bank Prim. Cap. Undated FRN $280.52
Nippon Tel. & Tel. Y2,500
Rand Mines R0.40
Saker's Fin. & Inv. 5.5% Gross Cm. Pf. R0.055
Tenneco $0.40

■ WEDNESDAY
DECEMBER 14
Bankamerica $0.40
Bank of Ire. Undated FRN $134.29
British Funds 9½% Cv. '02 £4.75
British Gas 6.4p
Capitol Grp. 1.2p
Chase Manhattan FRN 2009 $132.71
Commerzbank Overseas Fin. FRN '98 $3,484.79
Dorling Kindersley 2.2p
DSL Bank FRN 1998 $3,484.79
Gartmore Values Invs. 0.9525p
Graystone 0.14p
Hewden Stuart 0.825p
HK & Shanghai Bank. Undated FRN $86.35
Lloyds Chemists 6.8p
Manpower $0.06
Rugby FRN 1997 $13,662.84
Takugin Intl. Flg./Fixed Rate Nts. '02 $2,732.29
UK Safety 1.04p

■ THURSDAY
DECEMBER 15
AECI 5½% Gross Pf. R0.055
American Barrick $0.05
Anglo American Gold R8.0
Atlantic Richfield $1.375
Blenheim 3.5p
Do. 6.4% Pf. 3.2p
Brad. & Bingley Bldg. Scty. FRN '95 £148.03
Brunswick $0.11
CRT 2.5p
CSX $0.44
Caisse Natl. Auto. 16% Gtd. Ln. '06 £400.0
Country Casuals 1.41p
Dana $0.21
Dover $0.26
East Rand Gold R0.60
Ford Motor $0.013
Forte FRN 1999 £1611.20
Free State R1.25
Gerrard & National 8p
Gracechurch Mort. Fin. Class A3 FRN '29 £1484.01
Do. Class B FRN 2029 £1710.92
Gracechurch Personal Ln. Fin. A FRN '98 £646.79
Do. Mezzanine FRN '98 £1156.22
Halifax Bldg. Scty. 8¾% Nts. '99 £26.06
Hamlo Gold C$0.20
Investors Capital Tst. 5¼% Pf. £1.8375
Johnston Grp. 3.5p
Kajima Y4.5
Louisiana Land & Expln. $0.25
Mezzanine Cap. & Inc. Tst. 2001 7p
Midland Bank $ Pf. Ser.A1 $0.355
Do. Ser.A2 $0.08875
Do. Und. FRN (Ser.3) $252.90
Murray Split Cap. Tst. 2.65p
Do. Units 26.5p
Pacer Systems $0.03
Pennzoil $0.75
Pfizer $0.47
Royal Bank Can. Flg. Rate Db. '85 $132.71
Royal Bank Scot. Und. FRN $280.52
St. Lawrence Rail. 4% Stlg. 1st Mtg. Bd. £1.0
Sapporo Brew. FRN '99 Y12963.0
Sothebys Class A Lim/Vtg. $0.06
Tanjong M$0.05
Thomson $0.125
Time Warner $0.09
Toyo Gtd. FRN 1998 $26178.17
Trinova $0.17
TRW $0.50
Wagon Indl. 7.25p Cv. Prg. Pf. 3.625p
Wescol 0.25p

■ FRIDAY
DECEMBER 16
Barrow Hepburn 7¾% Cm. Pf. 1.741p
Bear Stearns FRN '96 $138.82
Coutts Consulting 0.4p
Finsbury 1.2p
Do. A N/Vtg. 1.2p
F & C PEP Inv. Tst. 2.5p
Govett Oriental Inv. Tst. 0.4p
Hi-Tec Sports 1.8p
Hunting 4p
Investors Capital Tst. 1.3p
Leeds Perm. Bldg. Scty. FRN '98 £148.03
Lloyds Bank Ser.C Var. Rate Nts. '98 £153.33
Pilot Inv. Tst. 0.85p
Pressac 2.08p
Santander Fin. Iss. Sb. Und. Var. Rate Nts. $3673.18
Scotland Int. Fin. 14¼% Gtd. Fxd/FRN 1998 $26.89
Sec. Tst. of Scotland 1.08p
Southeast Banking FRN '96 $266.88
Sumitomo Chem. FRN '97 Y65090.0
WEW Grp. 0.35p
Wetherspoon (JD) 4.4p
Wyndeham Press 1.4p
Young & Co's Brewery A 7.25p
Do. N/Vtg. 7.25p

■ SATURDAY
DECEMBER 17
Brad. & Bingley Bldg. Scty. FRN '05 £15501.0
Malaysia Mining M$0.0136
Nat West Bank 11¼% Und. Sb. Nts. £115.0
Senior Eng. 9¾% Un. Ln. 94/99 £4.8875

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Beckman (A), Durrants Hotel, George Street, W., 12.00
Wetherspoon (JD), Law Society Hall, 113, Chancery Lane, W.C., 10.00
BOARD MEETINGS:
Finals:
API Grp
Alldera
City Site Estates
Electronic Data Processing
Hardys & Hansons
Hunters Armley
Johnson & Firth Brown
Richards
Interims:
Albrighton
Brandon Hire
Clayhithe
Eastern Grp
Hamlet
Heath (S)
MS Int.
Magnum Power
Northern Electric
Proteen

■ TOMORROW
COMPANY MEETINGS:
Dickie (James), Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Dorling Kindersley, 9, Henrietta Street, Covent Garden, W.C., 9.30
Mercury Keystone Inv. Tst., 33, King William Street, E.C., 10.30
Millwall Hldgs., New Connaught Rooms, Great Queen Street, W.C., 10.00
Scottish National Tst., 125, West Regent Street, Glasgow, 12.00
BOARD MEETINGS:
Finals:
Dunedin Smaller Co's Inv. Tst.
Dunedin Worldwide Inv. Tst.
Fairbairn Euro Smaller Co's Tst.
Fairline Boats
Goldsborough Health
Greenalls Grp
Sheriff Hldgs.
Vaux Grp
Wheeson
Interims:
Berkeley
Bogod
Compco
Halma
Hambros Inv. Tst.
Norbain
Smith (David S)
Southern Electric
Tring Int.
Triplex Lloyd

■ WEDNESDAY
DECEMBER 14
COMPANY MEETINGS:
AG Hldgs., Holiday Inn, Wellington Street, Leeds, 11.00
Albert Fisher, Royal Lancaster Hotel, Lancaster Gate, W., 11.00
Ferraris Grp., Old Bridge Hotel, 1, High Street, Huntingdon, Cambs., 12.00
Fleming Japanese Inv. Tst., Insurance Hall, 20, Aldermanbury, E.C., 12.00
Kwik Save, Mollington Banastre Hotel, Parkgate Road, Chester, 12.00
Majedie Invs., Watermen & Lightermans Hall, 16, St. Mary-at-Hill, E.C., 12.15
Morgan Grenfell Equity Inc. Tst., 23, Great Winchester Street, E.C., 11.00
Town Centre Securities, Town Centre House, Merrion Centre, Leeds, 2.30
VTR, 66, Wilson Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Alvis
Baggeridge Brick
Chemring
Grainger Tst.
Scottish Radio Hldgs.
Widney
Interims:
British Land
Bulmer (HP)
Chubb Security
Feedback
London Electricity
MFI Furniture
Man (ED & F)
Manweb
Phonelink
Southend Property
Southern Water
Stirling Grp
Tinsley (Eliza)
Videologic
Wiseman (Robert) Dairies

■ THURSDAY
DECEMBER 15
COMPANY MEETINGS:
Finsbury Growth Tst., Aldermans House, Aldermans Walk, E.C., 12.00
Glasgow Inc. Tst., Merchants House, 7, West George Street, Glasgow, 7.00
Govett Strategic Inv. Tst., Shackleton House, 4, Battle Bridge Lane, S.E., 12.00
Kleinwort Second Endowment Policy Tst., 10, Fenchurch Street, E.C., 12.30
Moran Hldgs., Merchant Taylors Hall, Threadneedle Street, E.C., 11.30
Overseas Inv. Tst., 23, Great Winchester Street, E.C., 11.00
Smart (J)(Contractors), 28, Cramond Road South, Edinburgh, 12.00
Wardle Storeys, Brantham Works, Brantham, Nr. Manningtree, Essex, 9.30
BOARD MEETINGS:
Finals:
Acatos & Hutcheson
Albion
Allied Radio
Alvis
Apollo Metals
Barcom
Bradstock
Chrysalis
Dewhirst
Dobson Park
Electra Inv. Tst.
GWR
Kunick
Polar
Interims:
Asda
Bristol Water
ERF
Exco
Firth (GM)
Gold Greenlees Trott
Greene King
London Merchant Sec.
Moorgate Smaller Co's Inv. Tst.
Plysu
Reliance Security
South Western Elec
Tiphook
Total Systems
Worth Inv.

■ FRIDAY
DECEMBER 16
COMPANY MEETINGS:
British Empire Sec. & Gen. Tst., Saddlers Hall, Gutter Lane, E.C., 12.00
Lowland Inv., 3, Finsbury Avenue, E.C., 2.30
BOARD MEETINGS:
Finals:
Chemex Int.
Chiltern Radio
Intercare
Interims:
Baris
Ensor
Moorgate Inv. Tst.
Oceonics
Phoenix Timber
Yorkshire Elec

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

LEGAL NOTICES

Registered in England & Wales
Jas and Wm Hastings Limited
(Company No. 197570)
Principal Place of Business:
256 Bawtry Road, Wickersley, Rotherham S66 0TY
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at 1 East Parade, Sheffield, S1 2ET on 16 December 1994 at 10.00am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.
D.J. Stokes
Joint Administrative Receiver
2 December 1994

CONTRACTS & TENDERS

ÇUKUROVA ELEKTRIK A.S.
PROCUREMENT NOTICE

CUKUROVA ELEKTRIK A.S., intends to procure below Electrical Materials for the construction and extension works of its substations.

1-42 ea. 170 kV SF6 CIRCUIT BREAKERS (1+3 PHASES RECLOSING)

2-6 ea. 170 kV SF6 CIRCUIT BREAKERS (3 PHASES RECLOSING)

This procurement shall be financed by the company resources and the Bidding shall be made according to the company's Bidding Procedures.

This Bidding is open to all Bidders who comply with below prerequisite for eligibility.

- Bidders who have been regularly engaged in the design and manufacture of above specified materials, operating at a system voltage of 170 kV or above for a continuous period of 10 years prior to the date of Bid submission.
- Bidders who have designed and manufactured at least 2000 pieces of above specified materials, out of which 500 pieces are still in operation, since 3 years.

A complete set of Bidding Documents may be obtained upon remittance of a non-refundable document fee of 250 USD to below Bank Accounts and upon a written application to below address with evidence of payment:

Cukurova Elektrik A.S. General Management
Seyhan Bareji, PO Box 239 01322 Adana
Phone: 322-2350681 Telefax: 322-2350257

Adabank-Adana Branch: 2000 0013
Imar Bankasi-Adana Branch 2000 2548

All bids must be delivered to the above offices on or before 10:00 hours local time, on JANUARY 17, 1995 and shall be opened at above offices of General Management in the presence of those Bidders who choose to attend, on the same day, at 11.00 hours.

It is essential that the Bidders shall be in conformity with the prerequisite for eligibility and the Bids shall be submitted in full conformity with the Bidding Documents. Other Bids shall be rejected.

CEAS reserves the right to accept or to reject any Bid and annul Bidding process and reject all Bids, at any time prior to award Contract, without thereby incurring any liability to the affected Bidders or any obligation to inform the affected Bidders of the grounds for CEAS's action.

GENERAL MANAGEMENT

PETROBRÁS
PETRÓLEO BRASILEIRO S.A.

INTERNATIONAL COMPETITIVE BIDDING NOTICE
BIDDING NOTICE Nº 874-81-0019/94

PETRÓLEO BRASILEIRO S.A. - PETROBRÁS informs that Air Blowers shall be designed according to API-672-STD, instead of API-619-STD as formerly published on November 14th, 1994, otherwise unchanged.
Interested Bidders, from eligible countries, members of the WORLD BANK, may obtain additional information by Fax to:
PETRÓLEO BRASILEIRO S.A. - PETROBRÁS
SERVIÇO DE MATERIAL - SERMAT
FAX: (55 21) 534-3837 or 534-3836.
Ref.: EDITAL Nº 874-81-0019/94

Invitation
to Construct and Let
the Physics Centre in Stockholm

A new Physics Centre for the Royal Institute of Technology and Stockholm University will be established at Roslagstull in Stockholm. The Centre is planned for scientific research and education and will house 30 professors, 150 senior teachers and scientists, 150 graduate students and 500-600 undergraduate students.

The Royal Institute of Technology in Stockholm, Stockholm University, Stockholm County Council/Locum AB and the City of Stockholm jointly invite interested companies to pre-qualify for selective tendering for contracting of Developer/Investor.

The undertaking includes:

- Acquisition of land (approx 52,000 m²) and existing buildings.
- Implementation of the planned rebuilding and construction (approx 10,000 m² and 30,000 m² respectively) and some infrastructure works.
- Letting and administration of the premises of the Physics Centre on a 25 year lease contract.

The contracting of the Developer/Investor will be carried out in accordance with the EU regulations (negotiated procedure).

This invitation is the first phase of the tendering procedures. The interested companies will upon request receive documents for the prequalification.

The best qualified companies will then receive tendering documents.

After negotiations the contract will be signed with the tenderer offering the most favourable terms and conditions.

The last day for submitting the prequalification documents is January 12, 1995.

The application shall be written in Swedish or English.

The evaluation will be based on the documents submitted by the interested companies.

The interested companies are not entitled to any compensation.

Documents for the prequalification with additional information about the project will be submitted upon written request to:

Hifab Byggprojektledaren AB
Att: Ivar Blacker
Box 19090
104 32 STOCKHOLM
Fax: 08-673 70 36

PERSONAL

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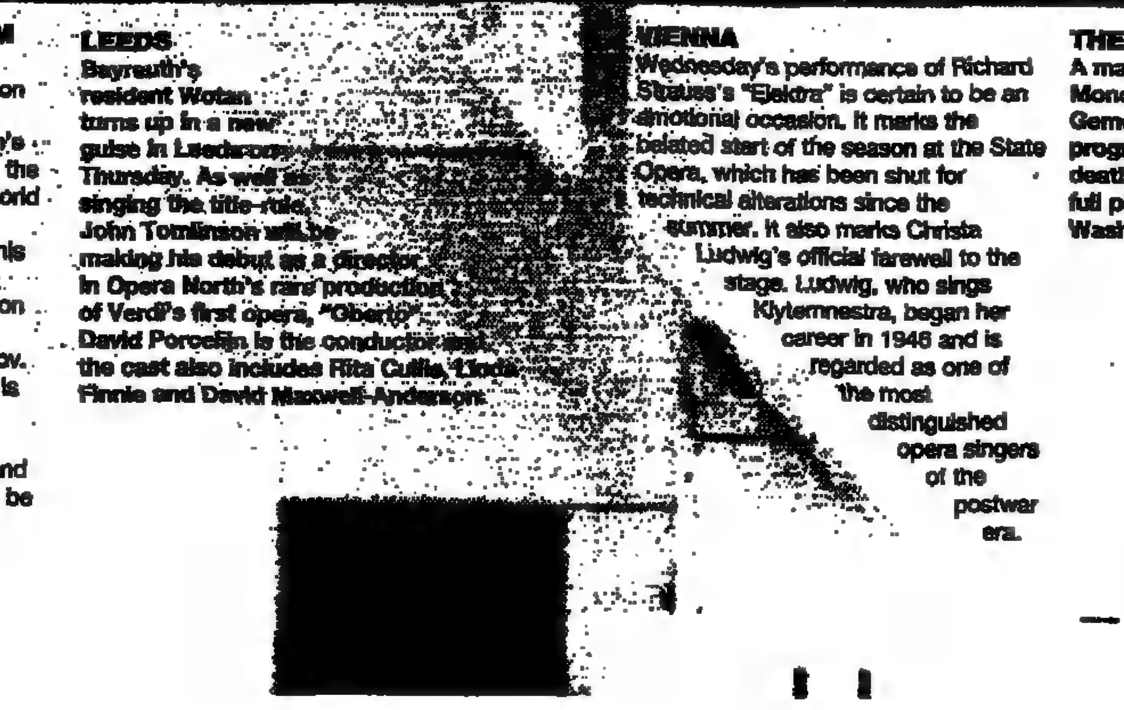
هكذا من الأصل

هكذا من الاصل

ARTS

LONDON
The British premiere of "Slavs!" by Tony Kushner, whose "Angels in America" made headlines on both sides of the Atlantic, opens at the Hampstead Theatre tomorrow. The cast includes Imelda Staunton, Annette Badlands and Ron Cook. Matthew Lloyd directs.

STOCKHOLM
The Russian composer Rodion Schedrin has chosen Sweden's Royal Opera as the venue for the world premiere on Wednesday of his third opera, "Lolita", based on the novel by Vladimir Nabokov. The production is conducted by Mstislav Rostropovich, and the title role will be sung by Lisa Gustafsson.



LEEDS
Bayreuth's resident Wotan turns up in a new guise in Leeds [illegible] Thursday. As well as singing the title-role, John Tomlinson will be making his debut as a director in Opera North's rare production of Verdi's first opera, "Oberto". David Porcelijn is the conductor and the cast also includes Rita Cullis, Linda Finnie and David Maxwell-Anderson.

VIENNA
Wednesday's performance of Richard Strauss's "Elektra" is certain to be an emotional occasion. It marks the belated start of the season at the State Opera, which has been shut for technical alterations since the summer. It also marks Christa Ludwig's official farewell to the stage. Ludwig, who sings Klytemnestra, began her career in 1946 and is regarded as one of the most distinguished opera singers of the postwar era.

THE HAGUE
A major retrospective of the Dutch abstract painter Piet Mondrian (pictured, right, in his studio) opens at the Gemeentemuseum on Sunday, rounding off an extensive programme of events marking the 50th anniversary of his death. It will be the first European exhibition to present a full picture of his later works. The show will move to Washington and New York next summer.

Making their mark (left to right): Jennifer Page, Genista McIntosh, Mary Allen and Elizabeth Esteve-Coll

The women on top

Antony Thorncroft reports on a new generation of arts administrators

Jennifer Page is to be the new chief executive of the Millennium Commission. She will have the pleasurable task of handing out over £1bn pounds of National Lottery money during the next six years to ensure that the millennium is well and truly celebrated. The current acting chief executive, Heather Wilkinson, becomes her deputy.

Page is a good if rather surprising choice – good because in her previous incarnation, as chief executive of English Heritage, she was that rarity, someone able to work well with its chairman, the rumbustious Jocelyn Stevens; surprising because the commissioners dropped their first (male) chief executive because they considered he was too independently minded. Jennifer Page is no walk over.

What is not surprising is that the commission should have turned to a woman to help master-mind the politically sensitive task of selecting which projects should qualify for millennium funding. Women are everywhere in the British arts and heritage worlds. Page will have frequent dealings with the director of the National Heritage Memorial Fund, Georgina Naylor. She will also be in close contact with the secretary general of the Arts Council, Mary Allen. If Mary Allen is engaged, her deputy will stand in – Sue Hoyle.

Mary Allen, who has spent the last few days deciding how to divide up the 1995-96 grant of £191.5m between the nation's arts companies, is the most powerful woman, if not person, in the arts. "The issue of gender does not arise in the arts," she maintains. "Throughout my career the organisations I have worked with have been indifferent whether I was a man or a woman". It does seem that, true to their liberal principles, the arts are blind to sexual differences.

"The fact that so many women are coming through is just a reflection that ten or 15 years ago women started to go into the arts as administrators," says Mary Allen. They now account for over 70 per cent of the arts work-force and are in an excellent position to take advantage of the unprecedented boom in the arts industry of the last decade.

No institution shows this impartiality more blatantly than the Arts Council. The head of dance is Hilary Carty; of music, Kathryn McDowell; of touring, Kate Devey; of the visual arts, Marjorie Allthorpe-Guyton; and of education, Maggie Semple. These are major jobs: the holders, most of whom have been appointed in the last year, are largely responsible for the health of their arts forms throughout the country.

The power of women is not confined to London. Sue Harrison has just been given the task of sorting out the problems at North West Arts. There is another woman, Sue Robertson, running Southern Arts. And the Arts Council of Scotland is topped by Seona Reid.

So far women have made their mark more as administrators rather than artistic directors, but this is changing. The largest recent theatre project, the West Yorkshire Playhouse, was entrusted to Jude Kelly and she has been successful enough to be considered a potential successor in 1997 to Richard Eyre at the Royal National Theatre.

The current number two at the National is Genista McIntosh, and she, in her turn, is a possible choice for one of the biggest jobs in the arts, director of the Barbican – following on, of course, from yet another woman, Detta O'Cathain. Elsewhere in theatre-land Ruth Mackenzie has built up a considerable reputation at the Nottingham Playhouse; Barbara Matthews runs the highly acclaimed Cheek by Jowl; Jenny Topper at Hampstead has produced a succession of West End transfers while Thelma Holt is a producer with an international reputation (as well as a seat on the Arts Council).

Among the museums and galleries only Elizabeth Esteve-Coll at the Victoria & Albert has risen to the very top, but among the more avant garde subsidised art galleries, women are everywhere – Julia Peyton-Jones at the Serpentine; Elizabeth-Anne McGregor at the Ikon in Birmingham; Catherine Lampert at Whitechapel; Jenny Lomax at Camden. They are in a good position to take over the big national institutions next time round.

There is one area where women have lagged behind – music. Of course Sian Edwards is music director at the ENO, and Louise Honeyman (London Mozart Players) and Louise Badger (BBC Symphony) run orchestras, but music generally remains a masculine stronghold. Jennifer Edwards of the National Campaign for the Arts believes "the contract nature of the music scene puts women off." Those with children find the frenzied schedule of touring difficult.

Of course the achievements of women in the arts are not without problems. Some feel that they have to be tougher than the men to impress their organisations and to stamp their will. Elizabeth Esteve-Coll struggled at the V & A before her vision of a more accessible museum won through; Detta O'Cathain did wonders for the balance sheet at the Barbican but at the cost of a disaffected work force. And in the arts, people are everything.

Despite the headline-hoggers, women are still used in the arts as cheap labour: their desire for a job in the arts, any job, is exploited. A 1990 survey suggested that almost 60 per cent of women in arts administration earned less than £12,000 a year. But perhaps these foot soldiers were right in thinking that getting a step on the ladder at least offers some chance of advancement. They have already contributed sufficient officers to ensure that the arts world reflects society more truly than most other industries: which is just as well, since one of the main duties of the arts is to hold a mirror up to our lives.

The Libertine/Sarah Hemming

Bubbling and fizzing around a bitter centre

At the opening of Stephen Jeffreys' riotously funny new play, *The Libertine*, the Earl of Rochester – the infamous Restoration degenerate of the title – taunts the audience with a little prologue. "You will not like me," he assures us. "No, I say you will not."

Rochester (David Westhead) then proceeds to charm us with an outrageously frank advertisement of his sexual availability, but the combination of pride and self-loathing of that opening speech returns to haunt you throughout the play. With it, Rochester has set a challenge to the audience, and Jeffreys a challenge for his play. Can we like this man? Can we ignore him? But, above all, can we find out what made him tick? Why was this evidently charismatic, brilliant wit so resolutely self-destructive? Did his determinedly bad behaviour spring only from scorn of his age, or did it reveal a deeper disillusionment with life itself?

Rochester is thought, of course, to be the inspiration behind Dorimant, the heartless rake in Etherege's *The Man of Mode*, and Max Stafford-Clark's new company Out of Joint is performing Etherege's Restoration comedy alongside Jeffreys' new play. The double-bill offers a fascinating two-way mirror on Rochester and his age, allows plenty of opportunity for playing theatrical games (in *The Libertine*, Etherege is shown in a not altogether flattering light) and also provokes deliberation about the validity of art.

At one point in *The Libertine*, Etherege taunts Rochester with the fact that he has not written a great play. "I have caught the scent and flavour of our age and set it down for all time," crows Etherege (a pinch-faced, bitchy little fellow in Jason Watkin's fine performance). Rochester's defence is that he is too busy living his life to chronicle it.

In a sense, Jeffreys has written Rochester's play for him. But while Etherege may have caught the age in its hedonistic heyday, with Rochester at the helm living to excess, Jeffreys presents another view: the morning after. His portrait is altogether more sour. Here the king is beginning to worry about money, while the writers of the age spend their time drinking, bitching, whoring and brawling.

On this detritus Rochester floats, rubbishing everything with devastating wit. And Jeffreys incorporates some of Rochester's bawdiest, most graphic and scurrilous writings, suggesting that they were every bit as revealing about the age as Etherege's play.

But while the shallowness of the waters in which Rochester swam were provocation enough for his cynicism, and the physical damage of his lifestyle was enough to darken his mind, neither fully explains his destructiveness. In Jeffreys' play, it is Elizabeth Barry (a glowing performance by Katrina Levin), the actress with whom Rochester fell passionately in love, who puts her finger on his more profound despair. So determined herself, she represents a positive life force that he has turned his back on and can no longer reach.

Around this bitter centre, the play bubbles and fizzes like a glass of champagne. Jeffreys writes with enormous exuberance, achieving an eminently credible cod Restoration style, and the dialogue drips with wonderful witticisms and bawdiness. Max Stafford-Clark's crystalline, effortless production trips along, is full of enjoyable performances, and embraces the excesses of Rochester's writings with great gusto (it will be a long time before I forget the dance of the dildos). At the centre of it all reigns David Westhead's excellent squat, hammer-headed Rochester – now boorish, now charming, now petulant, he is always compelling, conveying the many sides of this bundle of contradictions.

In the end, the play does not quite answer its challenge. Though we understand him better by the end of Jeffreys' play, Rochester finally remains an enigma. This is frustrating – but I suspect it is the point, for to pin down Rochester completely would clearly be an insult to the hard work he put in to staying out of reach.

The Libertine: dialogue drips with wonderful witticisms and bawdiness

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Phillipe Herreweghe: with the Freiberger Barockorchestra and the Collegium Vocale Gent conducts Bach at 8.15 pm; Dec 20, 22
● Sir Georg Solti: with the Royal Concertgebouw Orchestra and pianist Evgeny Kissin conducts Beethoven and Bartók at 8.15 pm; Dec 14.

BERLIN

CONCERTS
Berlin Philharmonic
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado and with soloist Maurizio Pollini plays Brahms and Mussorgsky at 8 pm; Dec 14, 15, 16, 19, 20, 21
OPERA/BALLET
Deutsche Oper Tel: (030) 3 41 92 49
● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 14
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Verurteilung des Lukullus: by Paul Dessau. Conductor Hirsch, production by Berghaus at 8 pm; Dec 15, 18 (3 pm)
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Dec 14, 20, 23
● La Traviata: by Verdi. Conducted by Rizzi, production by Kirst. In Italian at 7 pm; Dec 17

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● András Schiff: pianist, plays Bach, Reger, Handel and Brahms at 8 pm; Dec 19
● Royal Concertgebouw Orchestra: with pianist Evgeny Kissin and conducted by Sir Georg Solti, plays Beethoven, Bartok and Kodály at 8 pm; Dec 17

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Royal Philharmonic Orchestra: Christmas concert with conductor Owain Arwel Hughes at 7.30 pm; Dec 20
● The Dream of Gerontius: by Elgar. The London Symphony Orchestra with mezzo-soprano Anne Sofie Von Otter conducted by Sir Colin Davis at 7.30 pm; Dec 15
● The Messiah: by Handel. City of London Sinfonia conducted by Richard Hickox at 7.30 pm; Dec 13
Festival Hall Tel: (071) 928 8800
● International Series: The London Philharmonic conducted by Bernard Haitink plays Berlioz (Overture, Benvenuto Cellini), Ravel (Mother Goose) and Vaughan Williams (Symphony No.5) at 7.30 pm; Dec 15
● Philharmonia Orchestra: conducted by Charles Dutoit and with pianist Pascal Rogé plays Mozart and Mahler at 7.30 pm; Dec 13
● Royal Philharmonic Marlinsky-Kirov Series: Royal Philharmonic Orchestra with conductor Valery Gergiev mezzo-soprano Larissa Diadkova and the Royal Choral Society perform Prokofiev and Rimsky -Korsakov at 7.30 pm; Dec 12
GALLERIES
ICA Tel: (071) 930 3647
● The Institute of Cultural Anxiety: works of art and science by young British artists such as Angela Bulloch, Liam Gillick alongside works by more established artists such as Jeff Koons and Julian Opie; to Feb 12
Royal Academy Tel:(071) 439 7438
● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 14
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Dec 13, 15, 17
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Dec 12, 16
Royal Opera House Tel: 071 240 1200
● Ashton Remembered: celebration of the Royal Ballet founder choreographer Fredrick Ashton. Includes pieces by Mendelssohn, Offenbach, Massenet and Walton at 7.30 pm; Dec 15, 17 (2 pm)
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 23 (2 pm)
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Philippe Auguin. In Italian with English surtitles at 7.30 pm; Dec 13, 16, 19
● Mixed Programme by the Royal Ballet Company: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 14
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjomson at 7.30 pm; Dec 12, 20 (2 pm), 21, 22
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 12, 13, 14 (2.15 pm), 23
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 15, 16, 17 (2.15 pm), 19

NEW YORK

GALLERIES
Whitney Museum
● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; from Dec 16 to Mar 12
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 22
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 16, 20, 24 (1.30 pm)
● Madama Butterfly: by Puccini at 8 pm; Dec 14, 17, 21
● Peter Grimes: by Britten. English at 8 pm; Dec 12, 15, 19, 23
● Rigoletto: by Verdi at 8 pm; Dec 13, 17

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● French National Orchestra: Jeffrey Tate conducts Beethoven Symphonies Nos. 2 and 3 at 8 pm; Dec 15, 17
GALLERIES
Louvre Tel: (1) 42 60 39 26
● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 19
OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Casse-noisette: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 22, 23
● La Fontaine de Bakchisaraï: ballet by the Kirov company, St. Petersberg at 8.30 pm; Dec 20, 21
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

ROME

OPERA/BALLET
Teatro Dell' Opera Tel: (06) 481601
● Cronache Italiane: ballet in two parts based on work by Stendhal at 7 pm; Dec 14, 15, 18, 20, 21, 22, 23

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● National Symphony Orchestra: perform Handel's Messiah. With conductor Peter Bay, soprano Janice Chandler and mezzo-soprano Stephanie Blythe at 8.30 pm; Dec 16, 17, 18, 19
GALLERIES
National Gallery Tel:(202) 737 4215
● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; from Dec 18 to Mar 19
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● The Nutcracker: music by Tchaikovsky. Presented by the Joffrey Ballet, choreographed by Robert Joffrey. No show Dec. 12th. mats at 2pm otherwise at 8 pm; to Dec 17

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NBC/Super Channel: FT Reports 1230
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Life after the revolution

MICHAEL PROWSE on AMERICA

It is a strange sensation. I take a short break from writing this column and return to find the Washington political landscape altered beyond recognition.

I used to write almost apologetically about the late Ludwig von Mises, the Austrian proponent of entrepreneurial capitalism. Hardly anyone, I assumed, would have heard of him. Now I discover that Mises – who regarded Milton Friedman as a wimp – is fast becoming a mainstream author. He is one of the intellectual heroes of Dick Armey, the Texan libertarian who takes over as majority leader in the House of Representatives next month.

To grasp what this means, remember that Armey replaces Dick Gephardt, a "liberal" Democrat so far behind the times that he led the abortive congressional campaign against the North American Free Trade Agreement. It is a shift from a politician who distrusted markets to one who is passionate about them.

Yet Armey's elevation is receiving relatively little attention because Washington's political elite is transfixed by his boss, Speaker-elect Newt Gingrich. It is impossible to conceive of a greater contrast than that between Gingrich, a conservative firebrand who fizzes with ideas, and Tom Foley, his decent but deadly dull, predecessor. The Senate is admittedly undergoing less of an ideological upheaval, although the intellectual space separating Bob Dole from former majority leader George Mitchell is not inconsiderable. Dole in any case will be dragged to the right by Trent Lott of Mississippi, his new deputy and an ideological soulmate of Gingrich and Armey.

On balance, this unexpected shift of political power will be good for America. It is not healthy in a democracy for one party to monopolise any of the levers of power. After 40 years in the cold, House Republicans deserve a chance to prove themselves. So far they are doing remarkably well. Gingrich is managing a difficult transition more adroitly than have most former presidents.

He is biting the bullet on procedural reform by rationalising the labyrinthine House committee structure, cutting staff, liberalising debate rules and curbing the powers of committee chairmen. Political analysts sympathetic to the Democratic cause, such as Thomas Mann at the Brookings Institution, ruefully concede that such valuable reforms would never have occurred under Foley and Co. If nothing else, US democracy looks set to function more efficiently.

Gingrich's policy goals are more controversial. In the media he is frequently portrayed as a batty reactionary, hell-bent on recreating Dickensian orphanages and other 19th century horrors. Having read his manifesto, the "Contract with America", I find most of the assessments puzzlingly negative. Without agreeing with everything Gingrich says, he strikes me as having a better sense of the direction the US needs to take than either the Clinton White House or the Democratic Party at large. Unlike most politicians he is not a prisoner of the policy assumptions of past decades.

Contrary to the knee-jerk reaction of Keynesians, Republicans are not foolish to favour a constitutional amendment requiring a balanced federal budget. In a myopic political system beholden to special interest groups, there is an overwhelming temptation to finance current spending by borrowing from future generations. A constitutional prohibition may be the only plausible long-run solution; unlike past expedients, it would be a roadblock that Congress itself could not remove at will. Critics who complain that Gingrich has not specified a route to fiscal balance miss the point: once the destination is unavoidable, a way will be found.

Much else in the reviled contract makes sense. Is it backward-looking to want to stimulate entrepreneurship by reducing capital gains tax rates toward international norms? Is it daft to want to reform a chronically inefficient legal system and hence reduce the economic burden imposed by crushing litigation costs? Is it, indeed, so very foolish to argue that the child of a 15-year-old crack addict might be better off in a well-run institution? Gingrich's rhetoric is often astringent, but the themes that preoccupy him – personal responsibility, economic opportunity and so forth – do not strike me (or, apparently, the American voters) as anachronistic.

In any case, there are no dictators in US politics. Gingrich will have to compromise if he is to get legislation through the more moderate Senate and avoid the veto of an enfeebled president. The value of the contract is as a spur to public debate. Washington is now abuzz with ideas. There is, for example, a spirited debate under way about the advantages of replacing income tax with a progressive tax on consumed income – what is known in the UK as an "expenditure tax". No such idea would ever have emerged from the Clinton White House, yet it has a powerful logic in a country with a chronically low national savings rate.

And, thanks to the congressional Republicans, there is serious talk of transferring responsibility for many social functions from Washington to the states. This seems eminently sensible: if nobody really knows how to reform welfare, why impose a single blueprint on the whole nation? Why not try several different policies? Again, the Clinton administration ought to be sympathetic: budget director Alice Rivlin proposed just such a devolution of power to states in her 1992 book, *Reviving the American Dream*.

Gingrich's November revolution has turned Washington upside down. In every sphere the unthinkable is becoming thinkable. The old politically-correct reading lists are waste paper. Keynes is out; Mises is in. It is a great new world.

Picking up the pieces

Orange County's bankruptcy will have far-reaching repercussions, writes Tony Jackson

Viewed from the waterfront at Newport Beach, the notion of Orange County being hard-up seems preposterous. The scene is simply too opulent: the big houses among the palm trees, the yachts at their jetties. Pelicans flap over the blue water and the Californian sun shines down relentlessly. Orange County, surely, should be the last place in the world to go under.

This, of course, is just the point. When the county filed for bankruptcy six days ago, it did so because it had borrowed $12bn (£8bn) to play the financial markets and had lost upwards of $1.5bn in the process.

Even in Wall Street terms, $12bn is a lot of money. The banks that lent it did so because they thought Orange County could afford it.

The county's treasurer, Mr Robert Citron, who resigned 10 days ago, had borrowed the money to buy investments that pay a higher return as interest rates fall. The banks held these securities as collateral for their loans, and when rises in interest rates forced Mr Citron to default, several of the banks, led by CS First Boston, cancelled the agreements and sold the securities, precipitating the crisis.

According to Mr John Moorlach, who stood unsuccessfully against Mr Citron in the election for treasurer in the spring, it will be "a miracle" if the losses end up less than $2bn. They could, he says, be as high as $3bn.

Whatever the name suggests, Orange County is in no sense quaint or rural. It is part of the suburban sprawl of southern California, an up-market extension of Los Angeles.

On the direct flight from New York to the county's John Wayne airport – a large, imposing affair of glass and near-marble – every other passenger seems to be an investment banker or lawyer, with laptop on knee and suit hanging wrinkle-free in its leather case.

Not all of Orange County is as wealthy as Newport Beach, however. The Vietnamese quarter in the town of Westminster is scarcely flashy; in the county seat of Santa Ana, some of the Hispanic areas look almost impoverished. Disneyland, in the town of Anaheim, is surrounded by streets that in a less benign climate might seem positively dreary.

And indeed, all is not well with the Orange County economy. Like the rest of southern California, it is unhealthily dependent on defence and real estate.

Its biggest employers are McDonnell Douglas, Rockwell and Hughes Aircraft, all of which have been badly hit by cuts in defence spending. Even Disneyland – another big employer – has been suffering poor attendances lately.

Orange County house prices have fallen every year since 1991 and are still falling. According to economists at the local Chapman University, real estate values have dropped by $22.5bn since 1991. The county lost 29,000 jobs in 1991, then another 28,000 in 1992-94. At 6 per cent, the local unemployment rate is a touch above the national average.

Given that the rest of southern California has been worse hit by the same problems, the county could never expect help from outside. The average house price in Orange County is still almost $250,000, the median family income $54,000.

Internally, too, the county administration has been constrained in what it could do to raise cash. Ever since 1978, California's Proposition 13 has restricted the freedom of local authorities to put up taxes. When Mr Citron sought a high return on Orange County's investments, he was not simply being irresponsible. The county needed the money to balance its books.

The other way of raising cash was through the municipal bond market. The county did so with a vengeance. The Los Angeles Times calculates that last year alone, Orange County municipalities and various public agencies raised $4.9bn in a total of 121 bond issues.

The county's calamitous losses on its investment portfolio are therefore doubly damaging. The losses could severely limit the county's future access to the municipal bond market, where buyers are typically risk-averse small investors. They are unlikely to see Orange County as a prudent investment after the past week's torrent of publicity.

Orange county's Robert Citron (left) and attorney Terry Antrus

The reaction of Orange County's inhabitants to all this is still slightly dazed. Judging by the letters and calls to the local newspaper, the Orange County Register, the growing tide of anger is directed less against Mr Citron, and more against the county's board of supervisors. Like Mr Citron,

The Orange County affair is the high-water mark of a certain type of speculation

these are elected officials. If they had done their job of supervision, they ask, how could Mr Citron have invested some $8bn of borrowed money in the course of the past year alone?

There is also growing resentment over the role of Wall Street and the big broking houses that profited handsomely by financing Mr Citron's speculations and then pulled the rug out from under the county.

The bankruptcy, desperate measure as it was, represented an attempt to stop holders of $10bn of Orange County investments from selling them after CS First Boston sold some $2bn of securities it held as collateral on a loan to the county. Most of them went ahead anyway, despite the county's insistence that they were breaking the law.

Owing to the unprecedented nature of Orange County's bankruptcy, the point has yet to be tested in the courts. A prominent bankruptcy lawyer quoted in the Los Angeles Times last week could scarcely conceal his relish.

"There are kids running around in Orange County in junior high [school] today", he said, "who will be joining this case once they get through law school."

The liquidation of these investments means that the county's losses, previously on paper, are being realised. In Orange County, this seems like a classic case of Wall Street taking it out on California.

In New York, however, there is a different perception. The scale of events is such that even hardened investment bankers are shaken.

The dumping of billions of dollars of investments in the space of a few hours is not to be taken lightly, especially if there is a lingering suspicion that they belong to someone else.

More generally, there is the feeling that the Orange County affair is the high-water mark of a certain type of speculation. Under the benign eye of the US Federal Reserve, the early 1990s were a time when betting on falling interest rates was money for old rope. The damage when rates rose, as they did in the spring, was inevitable.

Most of the cases already publicised have attracted less sympathy than that of Orange County. A company such as Procter & Gamble is a commercial organisation, and seen as able to take care of itself if it chooses to become involved with highly complex derivatives.

As the embittered taxpayers of Orange County point out, however, the money in their fund was not there to gamble with. It was to build roads and schools and pay the wages of the county's workers.

Now that Orange County is left to pick up the pieces, it has made a promising start in the choice last Thursday of Mr Thomas Hayes to take over the financial reins. Mr Hayes, aged 48, was auditor-general for the state of California for 10 years. Then, for two years, he did Mr Citron's job on a bigger scale, as California's elected treasurer in charge of the state's $20bn investment fund.

A cautious, conservative financial specialist, Mr Hayes did a decent and cautious job, by all accounts, achieving a reasonable but not spectacular return.

When he stood unsuccessfully for re-election in 1990, his caution was turned against him. Look how meagre his results were, his opponent is reported to have argued, compared with Orange County.

If the voters of California had known where Orange County might end up, the result might have been rather different.

For now, however, Mr Hayes must do the best he can to protect the citizens of Newport Beach and the rest of the county from the consequences of the losses incurred by Mr Citron's investment strategy.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Prosperity renews demand for gold

From Mrs H.B. Junz.

Sir, Lex (December 6) concludes, on the basis of macro- and micro-economic fundamentals: "For the gold price, the worst of all possible worlds seems to have materialised."

Investors may wish to be made aware that the fundamentals of the reasoning on which this conclusion is based leave something to be desired.

The supply/demand balance for gold, according to the latest update by Gold Fields Mineral Services, portrays a different scenario to that depicted by Lex. In the first half of 1994, mine production plus scrap recovery fell short of fabrication demand, and this excludes any additional demand for physical bar hoarding.

Furthermore, the market overhang created during the investment boom of 1993 has largely been worked off with the closing out of many forward commitments. Market trends indicate a continued tight supply/demand balance.

The supply deficit has arisen in part because the macro-economic fundamentals cited by Lex affect only a small part of the global market.

In the current long period of disinflation, gold clearly has not been demanded as an inflation hedge. With 80 per cent of gold off-take going into jewellery, both for adornment and store of value purposes, demand has been driven by rising prosperity, especially in the far east, and by the more recent cyclical upturn in the industrial countries. Accordingly, the macro- and micro-economic fundamentals seem to be pointing in a very different direction to that suggested by Lex.

With regard to the ability of investors to use sophisticated derivative instruments as effective ways of offsetting dangers, one should perhaps take heed of other articles in the Financial Times citing the woes of Metallgesellschaft, Procter & Gamble and Orange County.

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What flabby Nato needs to get fighting fit

From Stephen C. Calleya.

Sir, If Nato is to survive ("In search of a unifying threat": December 7), it must introduce convincing post-cold war security concepts and perspectives.

Only clearly thought-out objectives such as Article Five of the Washington Treaty should be included in its strategy. The alliance must stop paying lip service to commitments it has no intention of fulfilling. Rivalry between the west's security alliances (UN, CSCE, WEU and Nato) has resulted in the farce of interblocking rather than interlocking security institutions. Nato must also define its position on enlargement. If Nato fails to address these challenges, the "No action together organisation" may become a more appropriate title.

Stephen C. Calleya,
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Burden of fuel tax on Northern Ireland

From Dr Pat McGregor and Mrs Pat McKee.

Sir, Samuel Brittan (December 8) maintains that the imposition of the standard rate of VAT on fuel would not have been detrimental for low-income households since "this would have been more than offset by the benefits package".

This assertion may be true for the average low-income household in the United Kingdom but not for those in Northern Ireland. Average fuel expenditure in the province according to the 1992 Family Expenditure Survey was £15.24 a week compared with £13.02 for the UK as a whole.

If the 1992 survey is used (as this is the most recent one available at the level of individual household) then the net change from the imposition of VAT on fuel for households in the lowest quintile is a loss of about £1.20 per week. (The estimate assumes that the 1992 consumption pattern does not alter in the face of the tax rise.)

Now, a loss of £1.20 may be considered of little consequence to the average citizen, but when average gross incomes are £82 the concern is understandably more acute. The MPs from Northern Ireland all voted against extension of VAT in a refreshing display of solidarity.

In the light of the above I hope that Samuel Brittan was not including them among the "unprincipled small parties". The threat of losing the vote prompted a proposal from the government to extend the compensation scheme – we would assert that the countering of the threat was the only principle that motivated the government.

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View from there

From John Roberts.

Sir, Bruce Clark in his report from Budapest (December 7), says: "The Conference on Security and Co-operation in Europe, which is supposed to be building a new security grouping of all countries from Vancouver to Vladivostok ..."

In which direction?

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Why Japan and the US are streets ahead

From John Hartley.

Sir, While it is true that under the Prometheus programme ("The new road sense": December 8) European companies have done a reasonable amount of research into navigation and other intelligent guidance systems, there has been a woeful lack of follow-through into manufacture.

By contrast, Rockwell of the United States already dominates the market for the electronic engines for navigation systems used in boats and cars, and since it developed the specialised chips itself, is likely to remain so. It gained its knowledge as the architect of the satellite-based Global Positioning System (GPS) for the US Department of Defence – paid for by the US taxpayer, but turned into a big business. This is now the heart of all car navigation systems.

Several US companies are already producing navigation systems for cars, and as Toyota's chairman Shoichiro Toyoda pointed out, over half a million such sets have already been produced and sold in Japan.

In addition, there is already a system in which information is sent to subscribing drivers about traffic congestion in Tokyo. The information is verbal, but the network of beacons for a more advanced system is already planned.

By contrast, the Philips Carin system becomes an option on the BMW 7 Series next spring. Clearly, Europe is years behind in this area.

Apart from the $200m US automated highway project mentioned, several other projects are under way in the US, including one to determine the protocols for all traffic information – this is sorely needed in Europe.

TRW and Amerigon are among the US companies that are ready to supply radar units as the heart of collision avoidance or intelligent cruise control systems. Amerigon claims its model will cost less than $10 a unit. US companies are not just talking research, they are investigating the practical and legal implications of such systems, and readying them for production – and so are the Japanese.

When it comes to turning electronics projects into production and profits, the Japanese and Americans are miles ahead of the Europeans.

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FINANCIAL TIMES
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Monday December 12 1994

Referendum required

Mr John Major no longer rules out a referendum on a single European currency. This is clearly a change from his previous hostility on principle to "referendums in a parliamentary democracy". He still wants to "consider the constitutional implications for British democracy of referendums generally", but now sees advantages as well as disadvantages.

Inevitably these remarks have been greeted with cynicism by Mr Major's opponents, as evidence of a classic deathbed conversion. And Mr Major would not have altered his thinking on this point if he were still in full control of his party and backed by a solid parliamentary majority. Agreement to differ about Europe, leaving the most divisive issue to be settled by popular vote at a later date, may be the only way the Conservatives can reunite and hold together from now until the next election.

That would perhaps be a good enough reason for Mr Major to change his mind. It would not in itself make a referendum a good idea. Indeed, there is no guarantee that it would have the desired effect. The single currency is not the only European issue which divides the Conservatives; and feelings against Mr Major are now running so high that his continued leadership may in itself have become an unsurmountable obstacle to party unity.

Profound importance

There is, however, a much better reason for holding out the promise of a referendum, which is the same reason that induced Mr Major, quite rightly, to promise a referendum in Northern Ireland on any change in its constitutional status. The issue is one of confidence between rulers and ruled in the short term, and one of the legitimacy of political institutions in the long term.

Britain's relationship to the European Union is not a problem for the Conservatives alone. Indeed, Conservative MPs would not be tearing their party apart over it if they did not sense that it is an issue of profound importance to the country as a whole. It may not evoke such an immediate popular response as the poll tax. But many British people remain unconvinced that the country has benefited from its 20-year membership of the European Community, and many more are aware that a single currency, along with some other changes currently canvassed on the continent, would transform the nature of the Union and mark a further very significant pooling of state sovereignty.

That does not mean there is a settled majority opposed to such changes. Indeed, if a moment comes when the government of the day is convinced that Britain's main partners will go ahead with a new stage of European integration and that Britain's national interest is to be involved rather than to stand aside, it should be able to impart that conviction to a majority of the British people, and would probably be helped in doing so by the leaders of the other political parties.

Political expediency

But constitutional change of this magnitude will lack legitimacy without the "full-hearted consent of parliament and people", as Sir Edward Heath recognised when he led the country into the EC in the early 1970s. He did not hold a referendum then, but it proved necessary to hold one retroactively in 1975. That too was in part a matter of political expediency for the party then in power, but it also served to legitimise the decision taken by a previous parliament, and effectively ended the argument about British membership of the Community as it then existed.

The UK is indeed a parliamentary democracy, but parliament has difficulty in delivering the consent of the people on European issues in a convincing way, because Europe cuts so sharply across the party lines on which general elections are held. One can imagine – though without relish – a massive restructuring of British politics, with attitudes for and against European integration replacing "left" and "right" as the permanent defining issue of party loyalties. Short of that, a device other than a general election has to be found to enable the electorate to give its verdict, and that can only be a referendum.

That does not mean holding a referendum on every decision affecting the EU; only on a decision which radically alters the constitutional status of the UK. Monetary union would be such a decision. A federal constitution for Europe would be another, if such were to be the outcome of the 1996 intergovernmental conference – which at present seems far from likely. The Maastricht treaty as passed last year, without a final commitment to monetary union, was a borderline case.

It would be wrong to reopen that issue now, but ministers must be aware that the less-than-full-hearted consent they obtained for the treaty has tainted the legitimacy of the Union to which it gave birth. The British public have become suspicious that a federal Europe is being imposed on them by stealth, much as the majority in Northern Ireland fear that Irish unity is being constructed behind their backs. The solution, in the one case as in the other, lies in assuring them that no fundamental change will be made without their consent being explicitly sought and obtained.

The danger for Russia

Today is the first anniversary of the adoption of Russia's post-Soviet constitution. It has been marked by the introduction of troops into Chechnya, the breakaway region in Russia's Caucasus.

The intervention is uniformly seen by Russian liberals as heralding disaster for the country's wobbly democratic structures. Their evidence for this is strong.

First, they see in President Boris Yeltsin's recent actions a man increasingly inclined to lean towards those of his administration who are counselling a crackdown: on crime (epidemic by any standards); on corruption (universal throughout the bureaucracy); and on business. The incident 10 days ago, when the bodyguards of Mr Vladimir Gusinsky, chairman of the Most financial group, were assaulted by members of President Yeltsin's own guard, has raised fears that the crackdown will take the form of identifying and persecuting high-profile capitalists.

Second, liberals are more and more depressed by the evidence in recent regional elections that the Russian people have retreated from political life in disgust, either refusing to produce the required 25 per cent turnout or, when they do, electing communists and extreme nationalists. Of all of the liberal parties, only that of Mr Yegor Gaidar has remained in rather desperate support of Mr Yeltsin.

Economic reform

Third, liberals see a government and a president openly inclined to postpone elections indefinitely. They are at best sceptical of the Kremlin's will, or its ability, to push through serious economic reform, believing it is bidding for western aid with no real intention to use it to stabilise the economy.

The playing of the military card in Chechnya is seen as confirmation that the men of force and suppression are in the ascendant, and that the flickering flame of pluralism is guttering out. Russian liberals believe that the Russian Federation cannot be held together by force. They fear that tiny but fiercely anti-Russian Chechnya could prove as formidable and humiliating an opponent as Afghanistan. They are concerned that a bloody war in Chechnya would make Russia a pariah abroad and authoritarian at home.

Educated people

Much of this is incontrovertible. However, Chechnya is not Afghanistan, but a part of Russia: it chose to express its aspirations to independence unilaterally, without any attempt to negotiate a split. No state leadership can merely acquiesce in such moves. The first word from the Kremlin is that the troops and armour will ring, not attack, the Chechen capital, and that negotiations should then start. It is possible that a deal might be struck.

The verdict on Russia is not yet in. The private economy is chaotic and criminalised, but it is growing and providing, for some Russians, a standard of living undreamt of in communist days. Extremist parties are popular, but they are not yet in charge, and Russia today is a freer country than ever before.

Russian democracy is too easily pronounced a corpse. It is not: it is a living organism, sick of many ailments and unsteady on its legs, but still sustained by an educated, sceptical if wearied people and by politicians who are often corrupt but in crucial instances animated by a desire to recreate their country as a "normal" one. Chechnya is dangerous for Russia, but it is not yet the harbinger of totalitarianism revisited.

Restored to health with new ambition

David Simon and John Browne describe BP's business strategy to Robert Corzine and David Lascelles

Healing can be a slow process in the business world. It has taken British Petroleum two-and-a-half years to recover from the crisis of mid-1992 that led to the dramatic ousting of its former chairman Mr Robert Horton.

Then, the UK's leading oil company cut its dividend as it struggled to reduce a \$16bn (£10.6bn) debt mountain and saw its share price plummet.

This year, BP's shares have soared to record highs as the company paid its first dividend increase since 1992.

Much of the credit for the turnround goes to Mr David Simon, the chief executive, who took over from Mr Horton after the boardroom coup. He describes the company as fully restored to health, but one with new ambitions.

Since 1992, Mr Simon and his colleagues have kept a deliberately low profile while they worked to rebuild profits, repay billions of dollars of debt, sell off non-core businesses and refurbish the group's tarnished reputation. In contrast to the expansiveness of the Horton era, he prefers to use words such as discipline, teamwork – and even boring – to describe his style.

Two weeks ago, BP announced a top-level reshuffle in which Mr Simon will become non-executive chairman, replacing Lord Ashburton who retires from the board. The new chief executive will be Mr John Browne, head of the company's exploration and production division who is credited with orchestrating a marked improvement in the division's results.

The changeover marks a new phase in BP's recovery strategy in which the group will set itself more demanding performance targets, including higher earnings, more debt reduction and modest growth in capital spending. The targets are indications of BP's renewed self-confidence – "the gateway to further disciplined growth", as Mr Simon describes it.

These financial targets will be achieved through increases in oil and gas volumes, continued cost-cutting, and improvements in internal organisation to break down barriers between the company's divisions.

The company is also committed to further changes in its corporate culture to enhance its competitiveness. This is driven by BP's belief that it will get little help from changes in the external business environment such as higher crude oil prices or wider refining margins, at least in the near future.

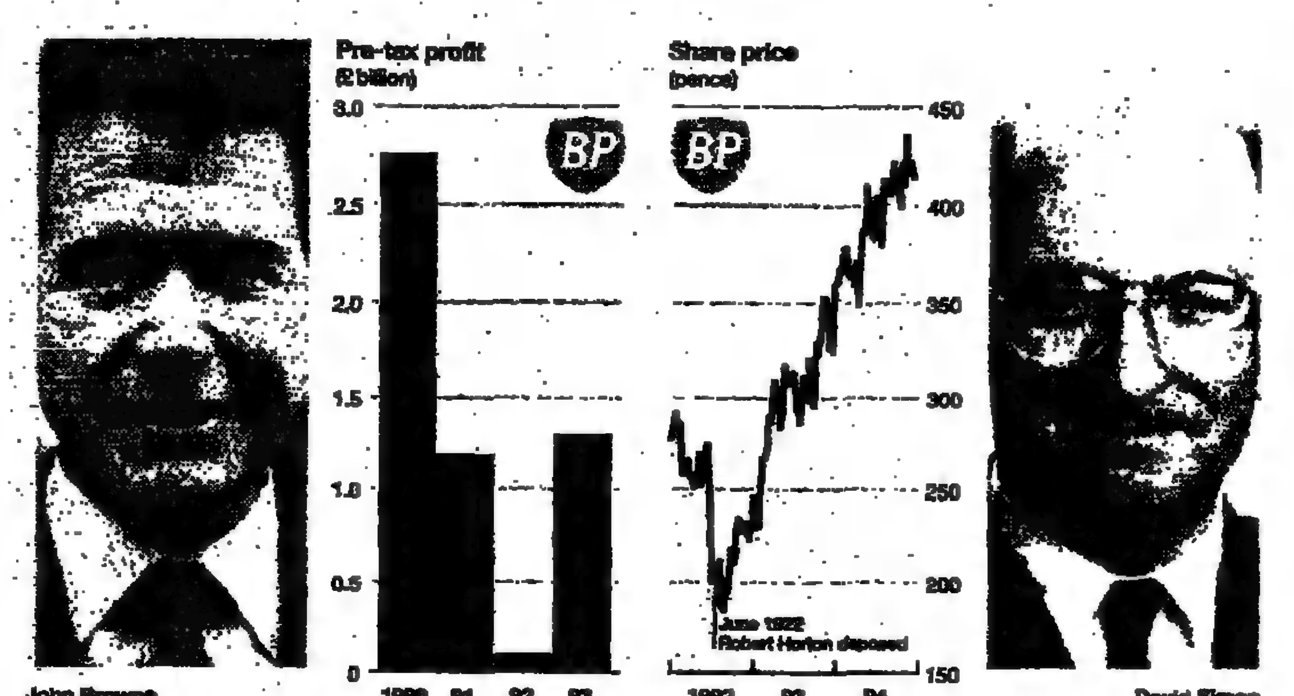
The company assumes, for example, that oil prices are likely to remain in the \$16-\$18 a barrel range, around current levels. To be on the safe side, it uses a much lower figure, \$14, when testing the economics of new oil fields. "We have to build in performance under all market conditions," says Mr Simon.

BP also acknowledges that any technological lead it might have in certain areas, such as operating in the deep water west of the Shetland Islands or developing new fuel specifications, is likely to be short-lived in an industry where partnerships and the sharing of information is the rule. The company's competitiveness rests on its ability to get greater efficiencies from its operations.

"Anybody can copy a formulation or your technology," says Mr Simon. "But your competitors cannot ape your process."

One of biggest changes that both men want to see is closer co-operation between the exploration, refining and marketing sides of the business. BPX, the exploration unit, "was in a world of its own five years ago," says Mr Simon. Its focus was on a "series of massive projects consuming huge amounts of capital," with no direct linkage to market concerns. "Now they are fully integrated into BP."

BP: life after the coup



John Browne
Group chief executive from July 1995

David Simon
Chairman-elect

But the aim is to push the integration even further, especially in the fast-developing international markets in Asia and Latin America that BP is keen to enter.

Mr Simon says "the old mind-set among the explorers was to find the oil and build a pipeline". But the new emphasis in selected countries will be on whether BP can "feed in other businesses behind the upstream operation".

Mr Browne says such a strategy also fits in with changes in the way developing countries view international oil companies. "Governments don't look to us just to drill holes but to help them grow their economies. Now we ask ourselves whether BP can become a part of the countries in which it operates."

One of Mr Browne's main tasks will be to oversee the diversification of BP's production base away from its current US/UK bias. BP's production is overwhelmingly based on giant fields such as Prudhoe Bay in Alaska and Forties in the UK's North Sea.

Its most publicised recent forays have been in politically risky areas such as Azerbaijan, Colombia and Vietnam. Mr Browne, however, rejects the argument that growing involvement in such countries will increase the risk of supply disruptions: any shift away from politically stable countries will be "very slow", he stresses.

There is considerable scope for BP to "strengthen and deepen" its involvement in existing areas, he says. "Ten years from now, two-thirds of our production will still come from existing members of the Organisation for Economic Co-operation and Development."

BP is also keen to build up its production in the fast-growing natural gas market, a business in which the company has lagged behind many competitors. The company has experimented with gas trading in the US and become involved in the emerging spot market for liquefied natural gas by shipping LNG from Australia to Spain.

Mr Browne says the company is also thinking about entering the gas-fuelled power generation business in developing countries, although any move would be in co-operation with a partner experienced in the sector.

Existing partnerships include a long-standing exploration venture with Statoil, the Norwegian state oil company. BP's fastest-growing exploration partnership is with Shell, the Anglo-Dutch oil group.

The selection of partners is a priority for Mr Browne, who says the company spends as much time assessing future partners as it does selecting senior executives. "We keep an eye on the list of competitors to make sure the balance is right," he says.

Acquisitions of assets will continue under Mr Browne's leadership, but there are unlikely to be big structural changes to the company. The divestment of non-oil and gas assets is virtually completed, and he is content that the portfolio of potential oil and gas fields contains a good mix of opportunities.

As for investments in other oil companies, Mr Browne has ruled out the possibility that BP will cement its preferred partnerships by taking equity stakes. "We're not interested in collecting investments," he says. "We would rather do the business directly."

Creating a harmonious relationship between Mr Simon and Mr Browne will be vital in making a success of BP's growth strategy. The two men's experience appears to be complementary: Mr Simon's strength is in marketing, while Mr Browne made his reputation as first BP's treasurer and then the widely-respected head of exploration and production.

Those familiar with the company say they also complement each other on a more subtle level. Mr Browne has a reputation for experimentation, a tendency that can create breakthroughs in such a technologically-driven business. It can, however, create tensions among more traditional executives in an organisation that is still in the midst of a bruising restructuring.

Analysts say Mr Simon represents that more traditional BP culture, which may reassure those who have to be persuaded of the need for change. He is also the one person at BP whom Mr Browne defers to.

While Mr Simon will be a part-time, non-executive chairman, he concedes he is unlikely to give up a lifetime habit of "thinking about BP seven days a week". That is likely to suit the other BP board members, who are reluctant after the Horton years to put all the responsibility in the hands of one man.

There should, in any case, be plenty of work for both men. BP may be restored to health, but it will require continuing efforts for the company to succeed in a business where the global competition is unremitting.

Airports owner bad for its customers

PERSONAL VIEW

BAA, the privatised company that owns London's three airports, has been a profitable investment for its shareholders. Its share price has risen fourfold since BAA was privatised in 1987. What makes it especially attractive is the virtually guaranteed return on capital allowed to the company by its regulator, the Civil Aviation Authority.

But while BAA's shareholders have done well, the same cannot be said for its customers. Airport charges and rents are generally higher in the UK than in the US. All airport revenue ultimately comes from airline customers, whether passengers or cargo, in higher air fares.

High charges also hit airline profitability, which is often lower than that of the airports they use. Last year, for example, Heathrow airport's return on capital was 26 per cent higher than that of British Airways. This is despite heavy revaluations of BAA's assets such as runways and terminal buildings that have much longer operational lives than aircraft.

The Monopolies and Mergers Commission was dissatisfied with the effectiveness of regulation when it last reviewed BAA in 1991. The commission concluded that it would be useful to reconsider whether "to substitute a degree of competition for the present system of regulation". One commission member, Mr Graham Mather, went further, arguing that BAA should be forced to divest one of the London airports "sooner rather than later".

But it is doubtful whether simply breaking up BAA in this way would be the answer, since it is hard to introduce competition in the airport market. Different airports are not comparable products: demand for extra capacity at Heathrow cannot be satisfied by offering cheaper charges at Gatwick or Stansted.

Furthermore, the planning system limits the extent to which capacity can be increased to satisfy demand. Whoever owns Heathrow, can effectively act as a monopolist.

International conventions such as the Bermuda 2 agreement between the US and the UK specify that airport charges should not be set by supply and demand. The fundamental principle of the 1985 Airports White Paper was that "airports are not an end in themselves: they exist to support air services". Airport charges should therefore be cost-related and allow for only "reasonable" profits.

Deciding what is a reasonable level for profits depends on the cost of capital that BAA is allowed to assume in setting charges. BAA told the MMC in 1991 that it was a high-risk business, an argument the MMC appeared to accept in allowing a generous price cap for airport charges between 1992 and 1997.

Demand for extra capacity at Heathrow cannot be satisfied by offering cheaper charges at Gatwick

In assessing reasonable profits, the MMC looked to the dividend yield on BAA's shares. But this is like looking into a mirror; investors value highly the regulator's implied guaranteed rate of return and push up the share price. To the regulator, the high share price implies that investors require higher profits. A false market is thus created.

The MMC sets the maximum charges for the London airports on the assumption that BAA needed a return on the current cost of its capital of 8 per cent. This is the same as nationalised industries, where the Treasury uses demanding current cost targets that force them to finance investment from user charges as far as possible.

But this is not appropriate for a private company which can finance investment from borrowing. Unusually for such a company, BAA has been able to finance its airport investment programme from cash-flow. Since 1991, BAA's capital expenditure has totalled more than £1bn, equivalent to operating cash flow after net interest payments, all of which comes from the airlines and their customers. There has been an increase in external financing – mainly borrowings. But this is much the same as the amount paid by BAA to its shareholders.

The regulator should review BAA's position as a monopoly supplier of capital to its London airports. One answer is market-testing to find out whether other companies would be prepared to accept a lower return on capital than BAA to finance airport improvements.

This could be done using techniques being developed for the government's private finance initiative, by inviting bids for new projects from outside investors and banks. If this led to lower costs of capital, it would put downward pressure on airport charges and help improve airline profitability.

If BAA were to be privatised today, it would be in a very different form. Simply putting BAA in the private sector with a quasi-guaranteed return on an ever-expanding asset based is not a long-term answer.

Rupert Darwall

The author, a former special adviser at the Treasury, is a consultant to Odey Asset Management

OBSERVER

Summers' bright day?

■ Not all Washington DC gossip focuses on the doings of the Clintons. Sometimes it stoops to such things as the World Bank.

The town's movers and shakers reckon that Lewis Preston, 68, will soon step down as the bank's head; he had heart surgery last year.

Jostling to replace Preston is Larry Summers, US treasury undersecretary for international affairs and a youthful 40. Summers, a former Harvard economics professor and chief economist at the World Bank, obviously has useful experience, having advised governments in far-flung places such as Indonesia and Mexico.

But has he the necessary diplomacy? His brusque manner sometimes upsets people. Moreover, is his contacts' book fat enough? Summers is not Wall Street's favoured candidate. The bankers apparently desire one of their own, when the time comes for Preston to retire.

Australian-born James D Wolfensohn is thought to fit the bill. Wolfensohn is a good tennis-player; a skilled fisherman; he fenced for Australia in the 1956 Olympics; and a serious amateur cellist.

More to the point, he has powerful allies in the financial world, numbering in his circle both Sir David Scholey, SG Warburg's chairman, and Paul Volcker, former US Federal Reserve chairman.

In 1987 Wolfensohn hired Volcker as chairman of his eponymous boutique merchant bank. Wolfensohn even took out US citizenship in 1980. What more could be asked?

Bottoms up

■ We falsely imagine German politicians rather dour dogs, particularly about their own profession.

How pleasant therefore to see the main opposition leaders now betting each other over how long Chancellor Helmut Kohl's centre-right coalition, with a 10-seat majority, will survive.

Joshka Fischer, leader of the Greens has bet Rudolf Scharping, head of the Social Democrats, that there will be a grand coalition – an alliance between Kohl's Christian Democrats and Scharping's lot – before next summer.

No way, said Scharping, accepting Fischer's wager for an unspecified number of bottles of red wine. Sounds like Scharping wins either way.

Chocolate chipped

■ The cookies are not crumbling John Major's way these days.

As if the British prime minister hasn't enough troubles, he may this week discover that one of the

"I'm John Major's guardian angel"

Conservative party's biggest supporters has had enough.

The board of United Biscuits, donor of more than £1m in the past 25 years, meets on Wednesday to decide what to give in 1994. The expected figure is – zero.

In the wings, sadly shaking his head, will be Lord Laing, UB's life president, who stepped down from the board in 1990 after 18 years as chairman.

Laing long championed the party's cause, being rewarded for his pains with the job of joint Tory party treasurer between 1988-1993.

UB has in any case been scaling-back, reducing to £40,000 its 1993 donation from £130,000 in 1991 and 1992. Unless the company's non-executives – including former Tory minister Lord Prior, as well as Lady Howe, wife of Lord Howe – kick up a fuss, the zero figure will be nodded through.

Ho ho avenue

■ Ho Chi Minh still lives – on the streets of Calcutta. Though probably not for much longer.

West Bengal state, long a bastion of Indian communism, is trying to shed its hard-line image in an effort to attract private capital. The authorities have therefore invited companies based in an electronics park to have local streets named after their founders.

Siemens – which helped instal the first telegraph connection between Calcutta and London 126 years ago – was approached first.

One of the few cities left in the world that still celebrates the anniversary of the Russian October revolution with posters of Marx and Lenin, Calcutta is now to have a new street – Werner von Siemens.

Names of communist worthies adorning other streets are so far intact; Jyoti Basu, the veteran chief minister, must tread carefully.

Miami mollusc

■ Regular users of Miami's Biltmore Hotel are happy to see the back of Argentine president Carlos Menem; his block-booking of the hotel during the Summit of the Americas monopolised the golf course.

Others are still smarting at the three-day event. The Conch Republic – motto: We Have Seceded Where Others Failed – announced its departure from the US on April 23, 1982, protesting against Drug Enforcement Administration agents' cutting off an 18-mile stretch of road between Florida and Key West.

The republic then asked – without any luck – for \$2bn of US foreign aid. Its secretary-general, Peter Anderson, argued that if his government had been represented at the summit, it would have called for humour to be applied to ease world tensions.

He would also have pushed the republic's application to join the North American Free Trade Agreement: "We're in favour of free everything."

Tour guide

■ The suggestion by Valentin Sergeyev, Russia's government spokesman, that the Russian troops advancing into Chechnya were carrying not just guns but butter, pasta and other foodstuffs for poverty-stricken Chechnyans, surely wins 1994's public relations Stakhanovite star for spin-doctoring beyond the call of credibility.

It also disinters a cold war joke we imagined buried forever. Poster in a Moscow travel office: "Visit Russia – before she visits you."

FINANCIAL TIMES
Monday December 12 1994

Fears for Rao's reforms as Congress (I) suffers state defeats

India's ruling party loses in polls

By Stefan Wagstyl in New Delhi

India's ruling Congress (I) party has suffered serious defeats in a series of state elections, which raised fears of a slowing of government pro-market reforms.

The Congress party in Delhi tried to deflect attacks on Mr P.V. Narasimha Rao, the prime minister, by arguing that the polls had turned mainly on local issues and were not a rejection of the national government or its policies.

Privately, Congress MPs argued that the rural poor had deserted the party in great numbers because Mr Rao's reforms included cuts in subsidies and public spending.

When votes were counted this weekend in the four states which held polls over the past six weeks, Congress suffered its biggest losses ever in the two large southern states of Andhra Pradesh and Karnataka, and in the mountain state of Sikkim. In *Goa, Congress also lost its majority* but was trying to form a minority administration.

The opposition called for an early general election, which was rejected by the government, but the results could undermine Mr Rao's authority and slow the pro-market economic reforms he has pursued in the past three years.

Mr M.J. Akbar, editor of the Asian Age newspaper, wrote: "This is the first time that the Congress has lost an election because the people believed that the party's economic policies were targeted against the poor."

With polls scheduled in another four states early next year and a general election due *by mid-1996, Congress politicians* are likely to put great pressure on Mr Rao and Mr Manmohan Singh, his finance minister, to loosen the purse strings.

Business leaders said at the weekend that the economic reforms, including measures to promote foreign trade and investment, were irreversible. But there was less certainty that the government would be able to keep public spending under tight control.

The party's worst result was in Mr Rao's home state of Andhra Pradesh where Congress won only 25 seats in a 292-member assembly.

The winner was Mr N.T. Rama Rao, a former film star, whose Telugu Desam party, a local populist *grouping, took 224 seats,* partly with the help of a promise to supply rice at Rs2 (4p) a kilo.

In Karnataka, victory went to the Janata Dal, the left-of-centre party which has recently fared badly at the national level. It took 116 of 224 seats. Congress came third with 35. In Sikkim, Congress won only two seats out of 32. Only in Goa did Congress avoid disaster, securing 18 out of 40 seats.

Kohl wins EU debate on new members

Continued from Page 1

Europe" who succeeded in orchestrating summit compromises. He secured a consensus on the need to increase competitiveness and tighten budgetary discipline in preparation for economic and monetary union.

Mr Kohl was unable to get agreement on two German priorities: EU-wide harmonisation of a tax on carbon dioxide emissions; and a deal on the creation of Europol, the Union's police force, to deal with organised crime and drug smuggling.

However, German officials said they had extracted a firm *commitment from France to drop* its opposition to the force before the next EU summit in Cannes in June 1995. On the energy tax, finance ministers are to draw up new guidelines for each member to apply a common CO_2 tax "if it so desires".

Mr Kohl also failed to resolve Spanish claims for improved fishing rights. Officials hope for an accord at a meeting of fisheries ministers on December 19.

Kinkel pressed to resign as leader of Germany's FDP

By Judy Dempsey in Gera, Germany

Mr Klaus Kinkel, leader of Germany's Free Democrats and the country's foreign minister, last night faced mounting pressure from his party to resign following a hostile reception by delegates attending a special meeting in Gera in the eastern state of Thuringia.

The party's presidium was expected to meet in emergency session last night to decide whether it would ask for Mr Kinkel's resignation. Other senior party members have already suggested that Mr Wolfgang Gerhardt, *party leader of Hesse*, is a possible successor to Mr Kinkel.

"He is under extreme pressure to resign. That is no surprise given the string of electoral defeats," said Ms Irmgard Schwaetzer, the former construction minister. "He will sleep on it tonight. But we should know tomorrow if Kinkel will stay or resign."

Mr Kinkel's address to the conference was aimed at restoring the party's confidence after it failed to be re-elected to nine state parliaments over the past two years, and even failed to enter the European Parliament.

It scraped back into the Bundestag, the lower house of parliament, in October only through tactical voting by Chancellor Helmut Kohl's Christian Democrats. The FDP won only 47 seats, two fewer than the Greens, and 32 fewer than the 1990 elections.

Delegates said they believed that Mr Kinkel, *if he remains* as leader, could be forced to resign next June during another FDP congress if the party cannot reverse the string of election defeats. Mr Kinkel has been FDP leader since 1992.

"We need time, patience and persistence to modernise our party," Mr Kinkel told the 662 delegatee who repeatedly interrupted his hour-long speech with boos and whistles. Applause at the end was lukewarm.

In a bid to stem the flow of support away from the FDP, especially to the environmental movement, Mr Kinkel singled out the Greens for compromising their principles in order to re-enter the Bundestag in October.

"The Greens are the lap dogs of power," said Mr Kinkel. But several delegates muttered that the FDP were the lap dogs to the ruling Christian Democrats.

The first test following October's *federal elections will take* place in the state of Hesse, which goes to the polls next February, followed by three other elections in North Rhine-Westphalia, Berlin and Bremen. Hesse is currently governed by the Greens and opposition Social Democrats.

Troops sent to Chechnya

Continued from Page 1

must include the opposition.

Leading liberal politicians in Moscow called a rally yesterday in Pushkin Square to protest against the invasion. Mr Yegor Gaidar, leader of the largest liberal group, Russia's Choice, and until now a supporter of Mr Yeltsin, said that "the attack will end in a sea of blood. Grozny should not be stormed: it is a Russian town on Russian soil."

Mr Sergei Yushenkov, a member of Russia's Choice and chairman of the state duma's (lower house) defence committee, compared the move to Soviet efforts to stamp out Lithuanian independence demands in January 1991 by the use of force.

Brussels urged to rethink its strategy on computer research

By Alan Cane in London

Europe's leading computing *services companies have told the* European Commission that funds earmarked for basic computer technology research would be better spent on information services to run on the "digital superhighway".

The Services Informatics Expertise advisory group (Six) says that unless resources are made available quickly, Europe will fall behind other areas, especially the US, in laying the foundations of the information society.

The advisory group's 11 members include Cap Sogeti Gemini and Sligos of France, Sema Group and Logica of the UK, and Finsiel of Italy. Together, they have some 60,000 employees and annual revenues in excess of Ecu 6bn ($7.2bn).

Their proposals are a response *to a report by Mr Martin Bangemann*, the Commission's industry commissioner, which encouraged Europe's information technology companies to seize opportunities presented by the advent of the information society.

Systems groups push for more EU cash..........Page 9

The Commission has already agreed to spend £2.6bn ($4bn) the next five years on basic research in information technology as part of the its fourth Framework research programme.

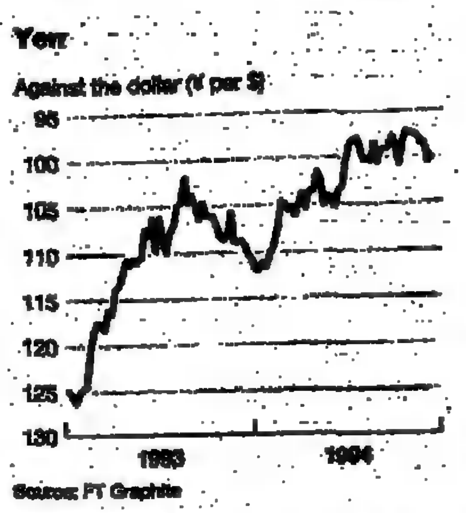
Six's chief proposal is that funds should be available to pump prime the early stages of large projects. Governments, companies and customers should be encouraged to work together *to identify service needs. If there* is no obvious customer for a particular service, it says, the commission should take that role to help create demand. The type of project might include a system for the exchange of environmental information held on different databases.

Acceptance of the Six proposals would mean an abrupt change of strategy for the Commission, whose Framework research programme provides 50 per cent funding across a broad range of technologies to encourage companies and academic institutions to work together on for "pre-competitive" research. The scheme is intended to provide a common pool of knowledge and expertise.

THE LEX COLUMN

Law of the jungle

The Morgan Stanley/S.G. Warburg merger, if consummated, will be like the arrival of a new species in a jungle. Other species will need to adapt or risk extinction. Some will seek to become integrated global investment banks too. Others will redefine the niches in which they operate, the better *to defend themselves against competition* from the emerging global houses. Over time, the industry will polarise.



Source: FT Graphite

A few firms – notably Goldman Sachs and, perhaps, Merrill Lynch – are already well on the way to achieving global status. To a lesser extent, so are the other US "bulge bracket" houses: Salomon Brothers, CS First Boston and Lehman Brothers. Many European regional groups have similar aspirations. In their struggle to become global, they could provoke a wave of mergers, acquisitions and alliances. Much of the action will be transatlantic, but both US and European houses will be aiming to fill holes in Asia too.

The prime movers may be commercial banks with medium-sized investment banking arms: Deutsche Bank via its Morgan Grenfell subsidiary; Barclays Bank with BZW; HSBC via James Capel and Samuel Montagu; and Union Bank of Switzerland. They have sufficient capital to buy all or part of another investment bank, if they wish. But some commercial banks – National Westminster, for example – may need to consider whether their investment banking subsidiaries are so far from making the global grade that they would do better to retrench or even divest.

Which banks will be wooed? Kleinwort Benson looks an obvious target since it is trying to compete in the big league with a relatively small capital base. However, for European banks anyway, the priority will be to acquire US distribution capability. So some association with a Smith Barney or a *Donaldson, Lufkin & Jenrette* may have greater appeal. Jardine Fleming and Peregrine Capital would be attractive partners for those looking to boost their Far Eastern presence.

Mergers or acquisitions will be risky. Putting together two or more cultures is hard. In the process, good employees may be lost and managers may be so concerned with internal matters that they take their eyes off the ball. At worst, standards will slip and reputations will be lost.

There is also a risk that, if many firms chase the same goal, margins will be squeezed. That risk will rise if commercial banks, which have a habit of following fads, pour vast amounts of capital into the industry.

More specialised rivals may seek to comfort themselves with such thoughts. They may reflect that even successful global houses will not devour everything in the investment banking jungle: some of the pickings will be just too small to arouse interest.

But specialised houses would be unwise to rest on their laurels. The emerging integrated global houses are out to poach their biggest deals and clients. They have strong sales pitches. Corporations are wooed with the idea that they can cut their cost of capital by tapping a wider base of international investors. Investors are told they can reduce their risk by building diversified cross-border portfolios. And those buying or selling businesses are encouraged to think they need a bank that can scour the world for opportunities and keep in touch with shareholders in multiple jurisdictions.

Unless they raise their game, the more focused houses could find themselves left with just the small local deals. The likes of Schroders, N.M. Rothschild and Lazard currently earn good livings by concentrating on advisory work. Their edge comes from the attention they pay to relationships. But they also need to arrange finance for their corporate clients – otherwise they become little more than management consultants – and that means plugging into securities distribution networks. For how long will they be able to access such networks if these are part of integrated houses owned by rivals? Schroders, at least, has an insurance policy with its Wertheim securities operation in the US.

Similarly, Cazenove and Smith New Court make good profits from running UK distribution networks. For the moment, they are protected from the full onslaught of foreign competition by practices such as rights issues and quote-driven trading systems. But US houses are fighting to bring in American practices such as book-building and order-driven trading. There is already some support in official circles for such changes. If the Warburg/Morgan Stanley merger proceeds, the pressure will intensify.

None of this means that every merchant bank and broker must rush to become one of a new species of global house. There is a role for many types of beast in the investment banking jungle. But the jungle of the future will be more competitive than the jungle of the past.

Japanese rates

Last week's Organisation for Economic Co-operation and Development report calling for a cut in Japanese interest rates was out of date. Compiled in the summer, the study argued that although nominal rates were at a historic low, in real terms rates were too high. That was because of Japan's negative inflation, currently running at about minus 1.5 per cent. However, the need for a cut has been obviated by Japan's continuing, if unspectacular, economic growth and the yen's recent depreciation against the dollar following US interest rate rises.

Nevertheless, the OECD's argument that the yen's strength is the biggest threat to Japan's tentative recovery remains compelling. While interest rates may not need to be cut again, the Bank of Japan should certainly not increase them. The rise in overnight call rates suggests the Bank is tempted to raise rates in an effort to maintain pressure on the corporate sector.

In theory, an increase in the cost of capital and an appreciation of the yen would oblige Japanese companies to address their three surpluses: capacity, stocks and staff. But an increase in rates could damage domestic demand as well as jeopardise the prospects of Japan's exporters. With the yen higher, Japanese exports to the US and Asia could struggle as these economies revert to more normal growth rates next year or in 1996. Guiding Japanese interest rates will not be easy: Mr Yasuo Matsushita, who starts as Bank of Japan governor at the end of this week, has a difficult task before him.

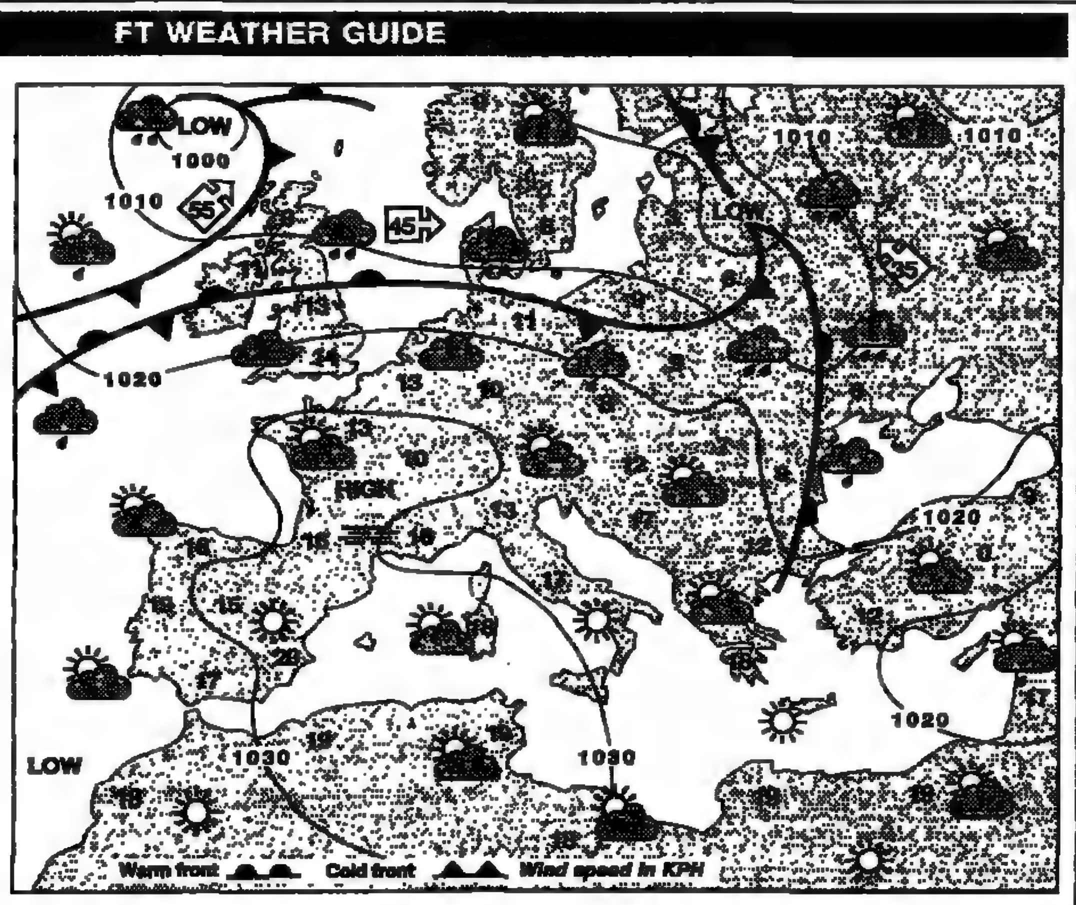
FT WEATHER GUIDE

Europe today

Mild and moist air over much of western and central Europe will mean a mixture of cloud, fog and sunshine. Cold surges off the Atlantic will meet humid air over Denmark and over the British Isles, causing rain. The mild air will flow toward north-eastern Europe, leading to rain or drizzle from the Baltic States to northern Germany. Northern Russia will remain frosty with snow along the Baltic Sea but central and southern regions will become warmer. Except for the Middle-East, the Mediterranean region will be sunny and dry. Much of Scandinavia will be cold with occasional snow flurries in Finland. Conditions will be mild with rain in the south and along the Norwegian coast.

Five-day forecast

The unseasonably mild air will flow eastward to southern Russia and the eastern Mediterranean, bringing rain to the Black Sea region and fresh heavy thunder showers near Cyprus. Northern Europe will be cooler in the second half of the week, with strong daytime frost spreading southward over Central Russia. Western Europe will become cooler.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	24
Accra	fair	32
Algiers	sun	19
Amsterdam	cloudy	14
Athens	sun	18
Atlanta	fair	14
B. Aires	thund	37
B.ham	cloudy	14
Bangkok	fair	33
Barcelona	sun	17
Beijing	fair	0
Belfast	rain	11
Belgrade	cloudy	13
Berlin	rain	12
Bermuda	cloudy	23
Bogota	shower	21
Bombay	sun	31
Brussels	fair	13
Budapest	cloudy	13
C.hagen	rain	9
Cairo	fair	19
Cape Town	sun	30
Caracas	fair	29
Cardiff	cloudy	13
Casablanca	fair	18
Chicago	cloudy	1
Cologne	cloudy	12
Dakar	fair	27
Dallas	fair	16
Delhi	sun	27
Dubai	fair	23
Dublin	rain	13
Dubrovnik	fair	16
Edinburgh	rain	11
Faro	sun	21
Frankfurt	cloudy	12
Geneva	fair	13
Gibraltar	fair	17
Glasgow	rain	12
Hamburg	rain	12
Helsinki	fair	0
Hong Kong	fair	26
Honolulu	fair	[illegible]
Istanbul	fair	10
Jakarta	rain	31
Jersey	cloudy	13
Karachi	sun	29
Kuwait	rain	14
L. Angeles	fair	18
Las Palmas	sun	23
Lima	fair	24
Lisbon	fair	19
London	cloudy	14
Lux.bourg	cloudy	10
Lyon	fog	12
Madeira	fair	21
Madrid	fair	15
Majorca	fair	18
Malta	sun	19
Manchester	rain	14
Manila	fair	31
Melbourne	sun	[illegible]
Mexico City	fair	21
Miami	shower	26
Milan	sun	13
Montreal	sun	-8
Moscow	snow	-7
Munich	cloudy	12
Nairobi	fair	22
Naples	sun	19
Nassau	fair	28
New York	sun	2
Nice	fair	17
Nicosia	shower	14
Oslo	cloudy	2
Paris	cloudy	13
Perth	fair	23
Prague	cloudy	11
Rangoon	sun	30
Reykjavik	fair	-2
Rio	fair	27
Rome	sun	19
S. Frsco	rain	11
Seoul	fair	8
Singapore	fair	31
Stockholm	fair	1
Strasbourg	cloudy	11
Sydney	fair	26
Tangier	sun	19
Tel Aviv	rain	16
Tokyo	shower	14
Toronto	snow	-4
Vancouver	rain	6
Venice	sun	13
Vienna	cloudy	13
Warsaw	rain	11
Washington	fair	7
Wellington	fair	16
Winnipeg	fair	-14
Zurich	cloudy	10

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday December 12 1994

MARKETS THIS WEEK

JOHN PLENDER: GLOBAL INVESTOR
In the second half of the 1980s, Japanese investors, encouraged by government officials, played a remarkable stabilising role in the US. Their reward was a domestic equity market bubble and a crash that rivalled Wall Street's in 1929. Small wonder that they have been reluctant to repeat the trick. **Page 20**

PETER NORMAN: ECONOMICS NOTEBOOK
We live in an age of breathtaking technological change. Yet recent statistics point to a surprising weakness in research and development by businesses in the industrialised world. In 1992, business sector R&D actually fell in real terms in Japan, France, Germany, Spain and Britain. **Page 20**

BONDS:
The most prominent feature of recent movements in the US Treasury market has been the flattening of the yield curve, as investors buy long-term bonds. **Page 22**

EQUITIES:
New York – Hopes for a year-end rally are fading on Wall Street as bad news seems to overtake the market every time it tries to edge-up. London – As confidence is draining away from Wall Street, worries about the US are gnawing at London's fragile grip on the FTSE 3,000 level. **Page 23**

EMERGING MARKETS:
Since the beginning of the year when Hong Kong's Hang Seng index reached its all time high of 12,201.09 it has shed more than 36 per cent of its value, making Hong Kong the worst performing market this year. **Page 21**

CURRENCIES:
Traders will this week focus on the deluge of US data to be released in the run-up to next Tuesday's policy meeting of the Federal Reserve. Expectations that the Federal Open Markets Committee would raise interest rates hardened last week. **Page 21**

COMMODITIES:
Japan may have trouble next year satisfying its hunger for platinum and its sister metals, palladium and rhodium, as South African supplies continue to slow. **Page 20**

UK COMPANIES:
British Petroleum will unveil new growth targets this week, its first since the boardroom coup which tilted it into crisis two and half years ago. **Page 18**

INTERNATIONAL COMPANIES:
The French government intends to privatise Seita, the state tobacco group which makes Gauloises and Gitanes cigarettes, in the first three months of 1995. **Page 19**

STATISTICS

Countdown to Stanhope decision

By Simon London, Property Correspondent

Banks which loaned £140m ($229.6m) to Stanhope, the property developer headed by Mr Stuart Lipton, meet tomorrow to decide whether put the company into receivership.

Stanhope's existing loan facility runs out a week today. The 16 bank syndicate led by Barclays can either appoint receivers or give the company more time to come up with an acceptable rescue plan.

The two main rescue proposals come from British Land, the property investment company, headed by Mr John Ritblat, which already has a 29.9 per cent stake in Stanhope, and Postel, the post and telecommunications pension fund run by Mr Alastair Ross Goobey.

British Land has offered the banks a cash-plus-shares deal for Stanhope's main asset, its half share in Broadgate Properties, which owns the most of Broadgate and Ludgate office developments in the City of London.

Mr Ross Goobey's proposal would involve a massive Stanhope rights issue enabling the company to repay the banks and buy the other half of Broadgate Properties from the receiver of Rosehaugh, Stanhope's former development partner.

The cost of the Postel proposal would be around £250m, against Stanhope's current market capitalisation of £22m. Postel and another UK pension fund would underwrite the rights issue.

Mr Lipton, chief executive of the company he founded in 1983, would have a nominal role in a recapitalised Stanhope.

However, the British Land and Postel proposals involve the banks taking a write-down of more the 20p in the pound on their loans to Stanhope. It is unclear whether the syndicate, advised by Barclays de Zoete Wedd, is willing to accept such a write-down.

The Postel plan may require the support of 75 per cent of Stanhope's shareholders at an extraordinary general meeting, depending on the form of the issue, allowing British Land an opportunity to block the deal.

For the Postel plan to succeed, it also has to agree on a price for the other half of Broadgate Properties with Rosehaugh's receiver, KPMG Peat Marwick.

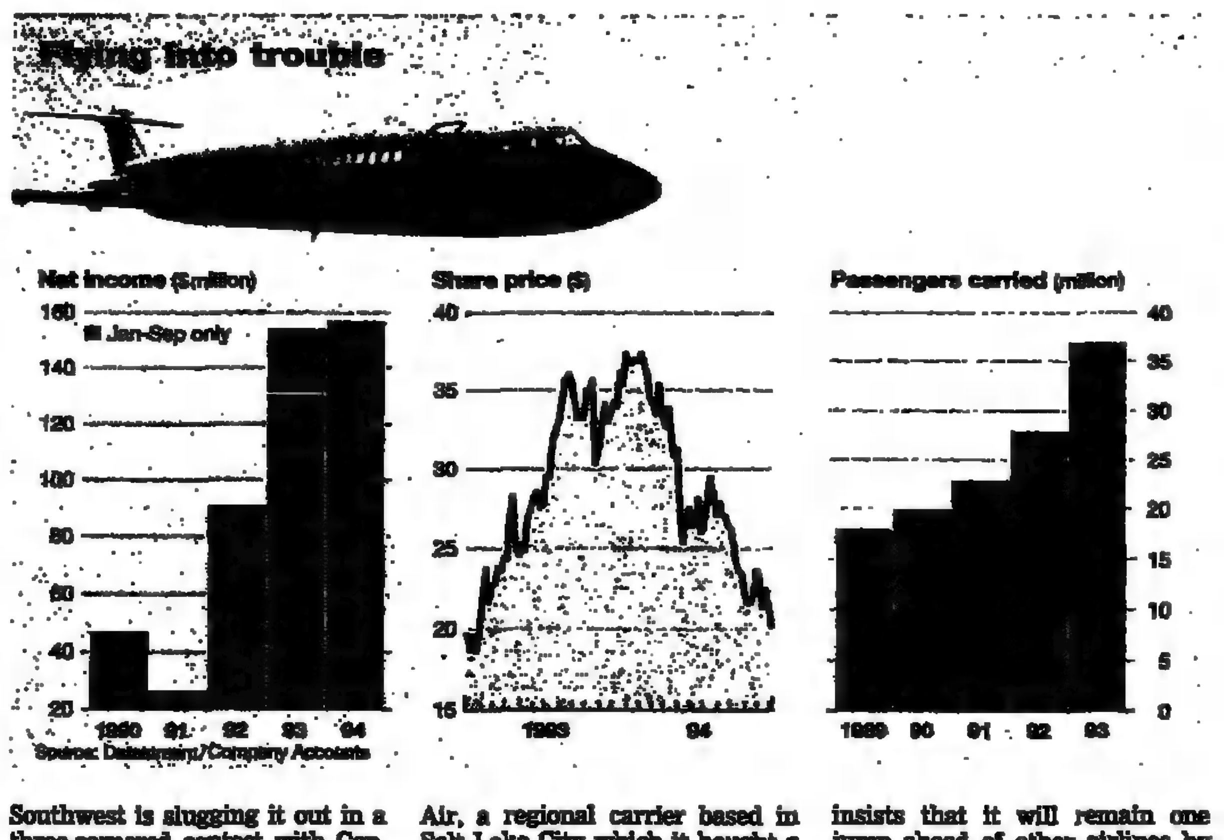
According to Broadgate Properties' last accounts, published in October, the net asset value of the company was £232m, split equally between Stanhope and Rosehaugh.

Mr Oldfield is thought to be asking at least £110m for Rosehaugh's share and has said that he would rather wait for the property market to improve than sell Broadgate cheaply.

While the banks agree that unifying Broadgate under a single owner would be the best way of realising value, this could also be achieved by putting Stanhope into receivership under KPMG Peat Marwick.

Hoist with its own petard: Southwest Airlines tumbles as fare war takes its toll

Profits drop causes global ripple of fear



By Richard Tomkins in New York

Southwest Airlines is hardly among the biggest or best-known airlines: yet the extraordinary influence of this Texas-based US carrier was felt around the world at the end of last week.

Global airline stocks took a battering after Southwest announced that fourth-quarter profits were going to be "substantially below" its net income of $38.4m a year earlier. In Europe, KLM's shares dropped nearly 4 per cent on Friday, and Lufthansa's fell by 2.2 per cent.

On the face of it, the reaction was unjustified: Southwest's problems stem from conditions peculiar to the US domestic market. But investors were left wondering: "If Southwest, of all airlines, is in trouble, what hope is there for the rest of them?"

Southwest's fourth-quarter downturn ends a remarkable period of profits growth for the company – remarkable because it has contrasted so sharply with the heavy losses suffered by the rest of the US airline industry in recent years.

Southwest has prospered because of its low costs. The airline specialises in short-haul shuttle services on high-density routes in the US. There are no in-flight meals or other frills; flights are frequent and turnarounds are fast; and employees are hard-working, flexible and enthusiastic. As a result, Southwest's operating costs per available seat mile are just 7.1 cents – 19 per cent below the US industry average of 8.8 cents.

Low costs have enabled Southwest to grow rapidly in the deregulated US market by charging rock-bottom fares. Expanding from its home territory of Texas, it has spread across the southern states and has become the biggest flight operator within California. Last year it began an assault on the north-east by offering flights on the Baltimore-Chicago and Baltimore-Cleveland routes at fares up to 85 per cent less than those available.

Southwest's strategy has led to a revolution in US air travel, at least on short-haul routes. It has turned flying into a low-cost, high-volume commodity business. Taking a flight on many routes in the US today is like catching a bus: seats are unassigned and the service is rudimentary, but the fare is cheap.

The trouble for Southwest is that other US carriers have responded to this transformation by trying to mimic its formula. In markets where Southwest operates, they have slashed fares in an attempt to keep market share. In California, United Airlines has set up an operation called United Shuttle to compete directly with Southwest. On the east coast, Southwest is slugging it out in a three-cornered contest with Continental Airlines and USAir.

Until recently, the main victims of these fare wars had been Southwest's competitors. Forced to match Southwest's low fares but lacking Southwest's low costs, they had incurred heavy losses on routes where the competition was strong.

The other US carriers, however, are working to get their costs down. A year ago, Southwest's operating costs per available seat mile were 26 per cent below the industry average. Today, at 19 per cent, the gap is still wide, but it is narrowing.

So does the fourth-quarter profits downturn indicate that the party is over for Southwest? Not according to the company. On Friday, it said the biggest factor behind the downturn had been the cost of integrating Morris Air, a regional carrier based in Salt Lake City which it bought a year ago but which has only recently been absorbed at an operational level.

Still, Southwest acknowledged that fare competition had played a role. Other airlines were matching its fares on routes where they competed, the company said, so it had held a number of special offers during the quarter. "This is as close as you can get to war in a peacetime environment," a spokesman remarked.

Southwest said some of its fare cuts had probably been too steep and it would not be repeating them; and with Morris Air now fully integrated, it expected profits to bounce back in next year's first quarter. "We feel very confident that growth will be back in line with what shareholders are used to," it said.

In the longer term, Southwest insists that it will remain one jump ahead of other airlines by getting its own costs even lower. Next month, for example, its pilots will be asked to ratify a highly unusual 10-year labour contract under which they will get no wage increases for the next five years, instead receiving share options.

Whether or not Southwest's optimism is justified, the outlook for the rest of the US industry remains poor. With too many aircraft chasing too few passengers, cut-throat fare competition looks set to continue and only the lowest-cost carriers have any hope of doing well.

To the extent that the US air travel market today offers a glimpse of the rest of the world's market tomorrow, the reaction of global airline stocks to last week's events was perhaps, after all, understandable.

Warburg sets out to tempt investors

By John Gapper, Banking Editor

S.G. Warburg and Morgan Stanley are likely to seek ways of paying UK shareholders sterling dividends on shares in the merged investment bank they want to create, although it will probably be a US company.

The move is being considered by Warburg's to convince shareholders of the plan's benefits, even though they will not be offered the premium for shares they would receive in a takeover.

Mercury Asset Management, the fund management company which is 75 per cent owned by Warburg, is to announce today that it has appointed the merchant bank Lazard Brothers to advise it on merger offer.

Warburg's only outside adviser is its corporate broker Cazenove & Co, although it recently employed the US bank J.P. Morgan to advise it about obtaining a credit rating from the agency Standard & Poor's.

One of the most contentious issues of the merger, the terms of which are expected to be announced shortly, is whether Morgan Stanley and Warburg will make a preferential offer to buy out MAM's minority shareholders.

Without a preferential offer, MAM minority shareholders could reject the bid on the grounds that the merged banks are not paying full value for a company that contributes £1bn ($1.64bn) of Warburg's market capitalisation.

However, a preferential offer could be resisted by Morgan Stanley directors. It could also undermine the deal's logic because minority shareholders would receive a higher price for MAM shares than Warburg.

Warburg directors are thought to be trying to bring forward an announcement originally planned for next week giving preliminary terms of the merger, as well as details of how operations would be combined.

There was considerable volatility in Warburg's share price on Friday following the announcement on Thursday because of speculation about the motives for the merger and the possibility of a counter-bid.

The merged investment bank will probably a US company, partly for tax reasons, but listed in New York and London. However, directors believe UK institutions may prefer to receive dividends in sterling.

This week: Company news

UK ELECTRICITY

Buy-backs set to enhance returns for shareholders

Dividends will be on everyone's minds when seven of the 12 regional electricity companies report next week. Analysts are expecting average growth of about 20 per cent, a trend which has already been set by the handful which have reported in recent weeks.

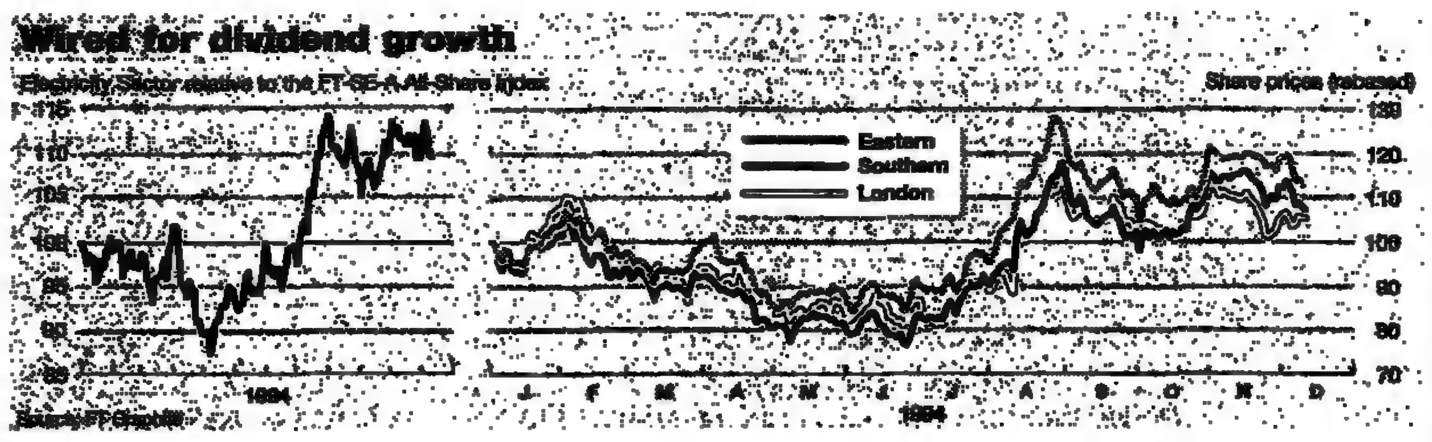
The RECs are able to deliver such healthy increases, partly because most of them have been busily buying back their shares over the last year. By spreading the same amount of cash over fewer shares, they have found a reasonably economical way of enhancing shareholder returns.

A few companies such as Eastern and Southern have not been as active in share buy-backs, so their dividend increases will be of special interest. Forecasts are for pre-tax profits of about £85m ($139.4m) for Eastern and £92m for Southern and dividend increases of almost 20 per cent. Eastern's propensity for surprises has some market observers hoping for news of a special pay-out. Yorkshire, which is forecast to report profits of about £98m, is also a promising candidate.

Northern Electricity is expected to show one of the larger dividend increases with a rise of about 22 per cent. The market is anticipating pre-tax profits of about £61m. South West and London are likely to trail behind with dividend increases of about 18 per cent. Forecasts are for interim profits of £46m at SWEB and £85m at London.

Few expect the RECs to divulge much about plans for the flotation of the National Grid in the spring. The companies are waiting for the government's response to proposals on sharing flotation proceeds between customers and shareholders.

Some investors are hoping for clarification on another subject from Manweb, with expected profits of about £53m. Questions are likely to be asked about the abrupt departure of Manweb's finance director this year.



OTHER COMPANIES

Another cliffhanger for Ilva at 'deadline'

Potential buyers have until noon today to table their bids for Ilva Laminati Piani, the flat steels subsidiary of Italy's state-owned steelmaker. IRI, the Italian state holding company which owns Ilva, set a deadline in the hope of satisfying the European Commission, which must enforce last year's EU ministerial agreement that Italy's state-owned steel industry should be privatised by December 31.

Likely buyers have found it difficult to put together solid consortia for the purchase of ILP, the biggest part of the Ilva group, but IRI last week denied rumours that it would be forced to accept offers after the deadline.

■ **Greenalls:** The diverse UK-based group with pub, off-licence, hotels and drinks distribution interests is expected tomorrow to report pre-tax profits for the year to September of about £76m ($124.6m) (after some £9m of reorganisation costs), against £68m a year earlier. It will be boosted by the first full-year contribution from the Devenish pub estate. A triennial property review is likely to lead to a reduction in net asset value per share from 341p to around 320p. The dividend is likely to increase to around 13p from 12.35p.

■ **Chubb Security:** The electronic alarms and locks group is forecast on Wednesday to report pre-tax profits of between £38m and £41m ($67m) for its first six months. Analysts are looking for better revenues as further improvements in margins are unlikely. The UK-based company will be quizzed on its strategy of introducing new product ranges and expanding its sales force. Analysts are also keen to see how markets in the US and Europe have recovered.

■ **Southern Water:** The UK utility is expected on Wednesday to report interim profits of about £68.5m, ($112.3m) a 6 per cent increase on last year. The dividend could rise by almost 10 per cent to 8.45p. Southern is one of the few water companies to enjoy earnings enhancement from its non-regulated businesses. This is likely to show further improvement.

■ **Trafalgar House:** Analysts will pay close attention to the core engineering activities of the UK-based group, whose interests range from property and construction to the Ritz Hotel and Cunard liners. They are forecasting full-year profits of between £50m and £55m ($90.2m), after a £16m restructuring charge, against losses last time of £347.2m after £397m exceptional costs. They also expect a 1p dividend when the company reports on Thursday.

The results will also be the first public outing for the new chief executive, Mr Nigel Rich.

■ **British Land:** Analysts are expecting Wednesday's interim figures to show pre-tax profits of about £20m, against £13.1m last year, including £1m to £2m of property trading profits. Earnings per share should be around 4p, up from 2.9p.

Companies in this issue

New growth ambitions for a 'disciplined' BP

By David Lascelles, Resources Editor, and Robert Corzine

British Petroleum will announce new growth targets this week, its first since the boardroom coup that tilted it into crisis two and half years ago.

Mr David Simon, chief executive, will unfold to City analysts the company's objectives for key financial indicators over the next two years: earnings, capital spending, and debt reduction.

These will reflect the directors' belief that BP's financial health has been restored to the point where it can develop new growth ambitions. But with memories of the recent crisis not entirely eradicated, the stress will be on "discipline" and a strong balance sheet.

On dividends, Mr Simon is expected to say that increases will be paid when justified by the company's improved performance.

In an interview with the FT, Mr Simon - who will take over as chairman of the company next summer - said: "We now have a two and a half year track record. However, the group remains totally committed to performance improvement." The recovery was only "a gateway to disciplined growth", Mr Simon added.

The earnings target will suggest that the company sees substantial scope to boost its earnings well beyond the $2bn (£1.2bn) a year target it set in 1992.

The key to improved performance will be volume growth, improvements in internal processes and continued cost cutting, according to Mr Simon.

Both Mr Simon and Mr John Browne, the current head of exploration who will take over as chief executive next July, believe there are attractive growth options in both the upstream and downstream segments of the business. The capital spending target is therefore likely to show an increase over this year's $3.8bn as the group seeks to expand the business once again.

BP will continue to pay down its $10bn debt until it reaches the level of comparably sized oil companies such as Chevron and Mobil of the US.

Mr Simon said BP was uncomfortable with debt levels which caused it to stand out among its peers. "We want to get back into the woodwork," he said.

Mr Browne emphasised that BP was determined to restore its international reputation: "It's the heart of our business."

See Features

Scottish Lion stops new business

By Ralph Atkins, Insurance Correspondent

Scottish Lion, the lossmaking London market insurer, is to cease writing all new and renewal business with immediate effect.

The move follows a "strategic decision" to withdraw from active underwriting in the London market, the parent company, China Merchants Group, the Chinese state-owned shipping and investment concern, said on Friday.

Scottish Lion suffered pretax losses of £11.6m last year and the directors said they expected a further deterioration in underwriting results this year.

Mr Richard Williams, finance director, said, however, that the company expected no difficulties meeting claims on existing policies.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Morgan Stanley (US)	SG Warburg (UK)	Banking	n/a	Merger talks announced
Mutual Life Assurance Co (Canada)	Unit of Prudential Corp (UK)	Insurance	£106m	Pru completes sector exit
Bowater (UK)	SOFAB (France)	Specialist pumps	£66m	Complementary cash buy
Trans Alta Energy (Canada)	Capital Power (NZ)	Electricity generation	£49m	Continuing NZ expansion
Pakhoed (Netherlands)	Lambert Riviere (France)	Chemicals distribution	£48m	Plans for full control
Southern Co (US)	Empresa Electrica del Norte Grande (Chile)	Electricity generation	£37m	Stake raised to 59.5%
Medeva (UK)	Inhalon Pharmaceuticals (US)	Pharmaceuticals	£35m	Medeva renews expansion
Brambles (Australia)	Chep UK (UK)	Building contractors	£25m	Stake sale creates joint venture
Tibbett & Britten (UK)	Eskimo-Iglo Tiefkühllogistik (Austria)	Distribution	£19m	Maximum profit-related price
Investcorp (Bahrain)	Primeco (US)	Construction equipment	n/a	Investcorp buying again

Potential Lloyd's investor pulls out

By Ralph Atkins, Insurance Correspondent

Nervousness about structural upheaval at Lloyd's of London has led to a US investor pulling out of a plan that would have provided £50m in corporate capital for the insurance market next year.

The decision is a setback for Brockbank, one of the largest managing agencies. It had hoped to announce a new investment company last week, supplying funds for the syndicates it runs, in time for the 1995 underwriting year.

It is also a disappointment for Lloyd's, reducing the total funds raised by corporate investors for next year to about £320m. This is in addition to the £900m invested in 1994.

Brockbank has not named the investor but agreement is understood to have been close enough for funds to have been lodged with Lloyd's before the November 30 deadline for those planning to invest in 1995.

Last minute problems are believed to have occured because the investor was worried about the knock-on effects if Lloyd's failed in its attempts to "ring-fence" all liabilities for 1985 and before as part of its plans to create a "clean" insurance market for future investors.

There were also problems in drawing up a contract that would accommodate the investor's interest in acquiring half of the Brockbank managing agencies business. Lloyd's rules restrict ownership to 25 per cent, though the market is expected to relax regulations next year.

Brazilian Investment

Brazilian Investment Trust raised net assets per share by 36 per cent to 187 cents at the end of September, against 137.3 cents six months earlier.

The trust incurred a net deficit of $397,000 (£242,000) for the half year, against $406,000 earnings. First-half losses per share were 0.64 cents (earnings of 0.65 cents).

Strong growth reported in all sections except for corporate recovery

KPMG fee income advances 5%

By Jim Kelly

KPMG Peat Marwick, the accountancy firm, recorded a 5 per cent growth in fee income from £491.8m to £516.4m for the year to September 1994 in what could be its last set of results in the traditional partnership format.

It is consulting clients, investors, and regulators on a plan to create a limited company to audit its public limited company clients.

The firm has said that if it went ahead it would not only publish financial results for the audit arm but for the whole UK business. These would include bottom-line profits and earnings per partner.

In its results published today the firm showed strong figures for all parts of the business except corporate recovery, a reflection of the drop in insolvency work during the economic recovery.

KPMG said that its core audit and accounting business grew by 6 per cent and reported new audit customers in Booker, Hepworth, North West Water, and First Choice Holidays.

Senior partner Mr Colin Sharman said: "We have won audit proposals, often when not the lowest tender, by demonstrating a combination of high quality technical and client service.

"Accountancy is coming out of the doldrums and provided we continue to deliver a highly professional service and value for money then next year should see even stronger fee growth."

The corporate finance business showed 15 per cent growth as the firm reported increased involvement in mergers, acquisitions, management buy-outs, privatisation work and new issues. The firm acted as reporting accountants for 55 company flotations.

Since the start of the decade corporate finance has grown 50 per cent and now represents 14 per cent of fee income.

Fee income from tax services rose 4 per cent to £106.5m. Growth was seen in tax work linked to corporate transactions, international tax, profit related pay, and international executive tax.

If incorporation of the audit arm does go ahead, and a decision is expected in the new year, then next year's results for audit will themselves be independently audited. Other large accountancy firms, some of which are discussing incorporation, will await the results with interest.

Enterprise consolidates Norwegian side

By Karen Fossli in Oslo

Enterprise Oil Norge, a subsidiary of London-based Enterprise Oil, has consolidated its presence in the Norwegian North Sea oil sector through a series of disposals and acquisitions, for which it did not disclose financial details.

Enterprise said that it had agreed to sell to Statoil, the Norwegian state oil company, a 10 per cent stake in licence PL-034 in the Norwegian Sea covering two blocks which comprise the Smoerbukk field, situated on the Halten Bank.

The field contains estimated reserves of 3.3 trillion feet of gas and 230m barrels of oil and condensate.

Enterprise said the disposal amounted to less than one per cent of the joint Smoerbukk, Smoerbukk South and Midgard fields for which Statoil next year will seek approval for a joint NKr35bn (£3.3bn) development.

"We decided that to remain in the forthcoming Halten Bank development project with our very small participating share would not be making the best use of our resources. We will therefore use the cash raised in this sale to actively pursue exploration and development opportunities where we have a stronger presence elsewhere on the Norwegian continental shelf," explained Mr John Bullough, general manager of Enterprise Oil Norge.

Statoil recently increased its shareholding in the area and took over operational responsibility from Saga Petroleum, Norway's biggest independent oil company, following a complex series of deals.

Enterprise also announced a separate series of transactions in which it boosted its shareholdings in three Norwegian North Sea exploration licences through farm-in arrangements in blocks where the company considers there exists significant potential for oil discoveries to be made.

In block 30/8, where drilling has started and which Enterprise considers to be of high quality, the company lifted its stake from 10 per cent to 15 per cent, while in block 1/3 Enterprise doubled its stake to 20 per cent. The company said an appraisal well is scheduled for 1995.

In block 24/9, where an oil discovery was recently appraised successfully, Enterprise increased its shareholding to 40 (30) per cent.

NEWS DIGEST

Wiggins in black with £172,000

Wiggins Group, the commercial and residential property development concern, reported a return to profits for the six months to the end of September.

On turnover of £1.84m (£12,000) pre-tax profits were £172,000, compared with losses of £84,000. For the year to March 31 losses were £1.58m, after taking into account exceptional losses of £1.6m.

During the period it sold a site at the Kent International Business Park for £1m and said that it had received a large number of enquiries for more than 1m sq ft of factory and distribution units.

It is also proceeding with the acquisition of a 26.08 per cent stake in Tomorrows Leisure with which it is to carry out joint ventures.

Earnings per share were 0.035p (losses 0.5p).

Scudder Lat Amer

Scudder Latin American Investment Trust had a net asset value per share of 99.66p at October 31. The trust, which was incorporated in January and began trading in June, had net revenue of £50,744 for the period.

Earnings per share emerged at 0.1p.

The trust is marketed only to institutions. It is the first UK trust of Scudder Stevens Clark, the US fund management company.

Lyons Irish falls

There was a slight fall in pretax profits of Lyons Irish Holdings, Dublin-based food manufacturing offshoot of an Allied Domecq' subsidiary for the 28 weeks ended September 17.

From turnover, also down, at I£13.8m against I£13.9m, the interim surplus came out at I£4.43m (£4.35m), compared with I£4.59m previously.

Operating profits were unchanged at I£3m and the directors felt this was a "good achievement" at a time of intense competition.

The pre-tax figure was after lower interest income - because of less favourable rates - of I£1.42m (I£1.57m).

Earnings per share were 12.11p, against 13.43p, while the interim dividend is increased from 3.45p to 3.65p.

Grand Central Inv

Grand Central Investment Holdings, the food group with interests in Asia Pacific, is selling 4,000 acres of cocoa and coconut plantations in Malaysia as part of its plans to sell its non-core commodity based businesses.

It is receiving about £7m from Bukit resulting in a net gain of £300,000. The deal will also cut Grand Central debts by about £5m.

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Seita to be sold in first quarter

By David Buchan in Paris

The French government intends to privatise Seita, the state tobacco group which makes Gauloises and Gitanes cigarettes, in the first three months of 1995, Mr Edmond Alphandéry, the economy minister, has revealed, raising some FFr5bn–FFr6bn.

Expressing confidence that he would meet his target of raising FFr55bn ($10bn) from privatisation in 1995, Mr Alphandéry said in an interview that Seita and Assurances Générales de France (AGF) would be sold "at the start of next year, if markets conditions allow". He would not say which sale would be first.

While the AGF privatisation has been ready for some time – indeed the sale was at one point expected to precede that of Renault – this is the first confirmation of Seita's imminent sale.

Hitherto, the only step the government has taken is to choose Crédit Lyonnais as its adviser, while Seita has retained the advisory services of Société Générale and Crédit Commercial de France.

In another sign of Seita's accelerated sale, Mr Alphandéry will today put before the French Senate a bill to remove the civil service status of Seita employees and to enable France's 35,700 tobacconists to buy shares in the company on the same favourable terms as Seita's workforce.

Once that bill is passed, the government only needs to pass a simple privatisation decree to launch Seita's privatisation.

The government intends to put 47.5 per cent of the shares on the open market. This will leave about 2.5 per cent for the tobacconists, 5 per cent for Seita employees, a residual 10 per cent stake for the state, and around 35 per cent for a *"noyau dur"* core of institutional investors.

Foreign tobacco manufacturers are to be excluded from the *"noyau dur"* to maintain the neutrality of Seita in distribution. Seita has a de *facto* distribution monopoly, supplying other brands of cigarettes as well as its own.

Digital decoders for Canal Plus

By John Ridding in Paris

Canal Plus, the French pay-TV company, has moved nearer the launch of multimedia services by placing orders for digital decoders for satellite broadcast transmissions.

The company has ordered decoders from five manufacturers – Philips, Pioneer, Sony, Thomson-TCE and Eurodec, an affiliate of Canal Plus which manufacturers the current decoders.

The digital decoders, which will be introduced in June next year, will be used for the usual TV and video inputs and will also be compatible with personal computers and telephones, enabling Canal Plus to offer interactive services.

According to Canal Plus, its so-called Digital Project, which will offer interactive services, will be launched in the last quarter of next year.

The company has declined to give details of the project, but analysts expect it to include games and video on demand. Itwill also allow multiplexing, by which a variety of programmes and services can be offered on the same channel.

Canal Plus has already reserved transmitters on the Astra1E and Astra1F satellites for the launch of its digital services.

Bidding closes on an 'efficient dinosaur'

Europe's biggest steelworks, has bowed to privatisation, reports Andrew Hill

The steelworks at Taranto – located inside the heel of southern Italy – now claims to be that rarest of beasts, an efficient dinosaur.

Certainly, the world will not see Taranto's like again. With an installed production capacity of more than 10m tonnes of crude steel a year (before EU-inspired capacity cuts), and a surface area of 1,500 hectares, it is the biggest steelworks in Europe, and possibly the biggest in the world outside Russia. No government could now afford to build a similar monster.

That is partly because of the cost of caring for such animals. In its 30-year lifetime, Taranto and its parent company Ilva have ravened up thousands of billions of lire of state subsidies, including one last gulp, reluctantly endorsed a year ago by the European Union, of nearly L5,000bn ($3bn).

Further subsidies are politically and financially impossible; privatisation is the only way forward.

Hence, at noon today IRI, the Italian state holding company, will close the bidding for Ilva Laminati Piani (ILP), the flat steels subsidiary which owns Taranto and its sister plant at Novi Ligure in Piedmont.

A year ago, Taranto's public image would have deterred even the bravest punter from betting on a sale before the EU deadline of December 31.

Demonised by the European Commission and attacked almost daily by unsubsidised German steelmakers for its rampant inefficiency, Ilva was supposed to be the villain of the overcapacity problem blighting the European steel industry.

Mr Nicola Muni, director of the Taranto plant, is still indignant about that treatment. The overall EU plan to rescue the industry has withered.

European demand has picked up and other producers have said they will wait for the next recession to make the capacity cuts everybody once deemed essential.

However, Mr Muni claims that Ilva, and Taranto in particular, is one of the few European steelmakers to have met its commitments under the original EU plan.

Taranto has already closed down two reheating furnaces, cutting overall capacity by some 1.2m tonnes a year, and has prepared the way, with the help of EU funds, for 2,500 voluntary redundancies, taking the workforce below 10,000 for the first time in the plant's history.

Mr Muni points out that Italy is the biggest consumer of steel in Europe, after Germany, and yet ILP supplies only 45 per cent or so of the country's requirements.

"It's obvious that the other producers in Europe had the objective of closing ILP because then they would have had the Italian market to themselves," he says.

"It's a strategic, essential plant, not only for Ilva, but also for Italy," adds Mr Romolo Vescovi, responsible for international relations at ILP.

Not only that, it is a source of pride and income for the neighbouring town of Taranto, which sits in the shadow of the plant's chimneys, furnaces and piles of ore and coke.

The town is said to benefit each year to the tune of L1,100bn in wages and services from the presence of the steelworks. Workers like to remind you how the people of Taranto streamed into the plant last year to form a symbolic human wall around one of the three reheating furnaces that Brussels had originally wanted to close.

However, the Taranto works claims to have achieved more than an emotional turnround in the past five years. Analysts agree that from being only a middle-ranking steel producer in terms of efficiency, the company has moved into the top five in Europe, belying the criticisms of the Commission and competitors.

Mr Bill Scotting, an analyst with CRU International, the UK-based metals industry consultancy, estimates that Ilva's net operating costs for the production of hot-rolled coil – the dominant product emerging from Taranto – fell by 14 per cent between 1990 and 1993.

Even stripping out the positive impact of the September 1992 devaluation of the lira on ILP's performance, the company has cut costs by nearly 7 per cent over the same period.

Mr Muni, a Taranto director since 1989, estimates that between 1993 and 1994 industrial costs will come down another 3 per cent, while workforce reductions next year should improve the cost base still further.

Other European steelmakers may still smart from the way Italian politicians delayed the restructuring of the state-owned industry, and there are dark hints that ILP may still be receiving hidden subsidies, but IRI is at least talking about ILP returning a profit this year.

Whether that makes the company an attractive prospect for buyers is a different matter.

Taranto is a comparatively modern plant; it is well-sited next to a deep-sea port for raw material deliveries; and its great size is not necessarily a disadvantage as demand for steel improves.

The hot steel process used at Taranto also has a certain edge over the much-vaunted "mini-mills", which are sometimes hampered by the scarcity and cost of the scrap on which they depend.

But firm bids have been hard to come by. Over the past six months, most of Italy's private steelmakers and many of the world's largest producers have been mentioned as possible buyers.

Within the last fortnight, at least one consortium has broken up and another was only just finalising its offer before the weekend.

IRI has gambled that by setting a December 12 deadline, it will have time to strike a deal before the end of the year. But if the offers tabled today are not satisfactory, the state company may have to open a second, high-pressure round of negotiations.

Meanwhile, Taranto will hope to convince potential new owners that it really has shed its tarnished dinosaur image, and is living up to the metre-high exhortatory slogans placed around the plant: "Efficienza – Produzione – Qualità".

London acquisition fund to buy Swedish group

By Andrew Baxter

Iro, the Swedish company which is the world's biggest producer of yarn feeding equipment, is being bought for SKr620m ($83m) by CWB Capital Partners, the London-based acquisition fund.

CWB, which specialises in acquiring market-leading manufacturing companies in northern Europe, is buying Iro from Handel och Industri, the industrial holding company of Sweden's Svenska Handelsbanken.

Iro, which is expected to have turnover this year of SKr815m, created the market for yarn feeders, which are used on weaving and knitting machinery.

It has 750 employees and manufacturing plants in Ulricehamn, Sweden, Biella, Italy and Dornstetten, Germany.

Mr Nigel Doughty, CWB's chief executive, said Iro's profits were rising, but would not disclose details.

The company is well-positioned to benefit from the upswing in the textile machinery investment cycle as US, European and Asian economies pulled out of recession, he said.

As part of the transaction, Iro's management is taking a 10 per cent stake in the company, and Mr Hans-Eric Ovin is staying on as non-executive chairman.

Financing is being provided by Mezzanine Management, a UK-based specialist provider of mezzanine finance. Dresdner Bank will provide local working capital facilities in Germany.

Handel och Industri was formed by Svenska Handelsbanken following the bankruptcy in the early 1990s of Kongsbo, controlled by the Swedish financier Mr Anders Wall. Kongsbo had owned Iro and other industrial companies.

CWB has offices in London, Frankfurt and Stockholm, and its shareholders include Standard Chartered Bank and WestLB. Its biggest acquisition was last year's SKr3.46bn buy-out, in partnership with Goldman Sachs, of Tarkett International, the German flooring company.

Randgold in West African initiatives

By Mark Suzman in Johannesburg

Randgold, the troubled South African gold mining company, has signed a mining convention with the government of Senegal and begun exploration in Burkina Faso ahead of the planned listing of its west African mineral rights next year.

Mr Peter Flack, Randgold executive chairman, said the accords and listing represent the company's faith in the strong portfolio of mineral rights it has acquired in the region over the past two years.

"There is a unique window of opportunity in west Africa at the moment which Randgold is exceptionally well positioned to utilise," he said. "After many centuries of neglect, gold mining there is now on the brink of a renaissance."

The most developed of Rangold's west African operations is in Burkina Faso, where it recently secured a further 1,000 sq km to complement its 2,500 sq km joint venture with Newmont.

It also has prospecting and mineral rights in Senegal, Ivory Coast and Gabon.

Inmarsat in global phone plan

By Alan Cane

The owners of Inmarsat, the London-based satellite communications organisation, has approved plans to develop a $2.6bn worldwide mobile phone service.

Inmarsat, which pioneered maritime voice and data services in the early 1980s, is owned by leading telecommunications organisations in some 75 countries, most of them state monopolies. Last week's decision, therefore, implies approval from a broad spectrum of governments.

Finance still has to be found for the project. Each owner has until December 16 to decide whether to put up a share of the $1bn for the first phase.

Inmarsat is in competition with other consortia. The most advanced is Iridium, in which Motorola, the US company, is the principal partner. It has completed its funding.

Globalstar is being developed by Loral, the US defence group. A newcomer is Odyssey, which takes in TRW, the US aerospace manufacturer and Teleglobe, a Canadian telecoms services provider.

Provigo writes off C$152m

By Robert Gibbens in Montreal

Provigo, one of Canada's top three food distributors, has written off C$152m (US$110m) to cover the loss on the sale of its California unit last month.

The write-off took the third quarter net loss to C$139m, or C$1.62 a share, compared with a loss of C$74m, or 88 cents, after special items a year earlier. Sales were little changed at C$1.4bn.

Provigo is being restructured and on an operating level is staging a turnround after several years of poor results.

For the nine months ended November 5, its loss was C$118.2m, or C$1.37 a share, against C$59.1m, or 79 cents, on sales little changed at C$4.2bn.

Provigo said its remaining Canadian business was profitable and was now concentrating on improving performance.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / John Plender

A less than stabilising exercise

In the second half of the 1980s, Japanese investors, encouraged by government officials, played a remarkable stabilising role in the US currency and capital markets. Their reward was a domestic equity market bubble and a crash that rivalled Wall Street's in 1929. Small wonder that they have been reluctant to repeat the trick in this year's troubled markets.

Yet with the dollar perking up and the US bond market looking uncharacteristically cheerful, speculation is mounting that Japanese private capital outflows are accelerating. Are dollar assets coming back into fashion? And will UK gilts enjoy some of the leftovers?

The case now being made by many analysts is straightforward enough. With the three-month interest rate differential between New York and Tokyo at around four percentage points, there is a powerful incentive to recycle Japanese capital. Historically, the dollar has always risen when interest rate spreads have been at this level. Once short-term private flows underpin the dollar, portfolio capital might be expected to follow into US assets.

Up to a point this has already happened. In the first half of this year Japanese purchases of foreign bonds, in which the US usually accounts for a disproportionate share, were running at an annualised rate of $46.5bn, usefully higher than in 1992 and 1993. Yet in practice the issues are more complicated than these arguments imply, because of profound structural upheavals taking place in the capital markets of both the US and Japan.

If the case for an accelerating outflow from Japan currently looks plausible, it relates as much to the behaviour of US investors as the Japanese. In the first half of the year American fund managers led the foreign stampede into Japanese equities. The inflow, at an annualised rate of $95bn, dwarfed long-term Japanese portfolio outflows. This reflected US investors' newfound enthusiasm for international diversification.

The Tokyo market, which accounts for a big chunk of the global equity market capitalisation, did not share in the upturn experienced elsewhere in 1993. Fund managers were underweight in Tokyo and worried that a rise there would cause them to underperform badly. They promptly became bigger buyers of Japanese equities than the Japanese.

Much of this flow seems likely to reverse, because the foreign investors have allowed themselves to be suckered. For the structure of the Tokyo market is perfectly designed to make a nonsense of the theory of portfolio diversification – not least because the market is currently being used, in true Japanese style, as an instrument of government policy.

Confronted with a banking crisis similar to the one in the US, the Japanese authorities felt constrained by their experience of the bubble economy from following the Federal Reserve's approach to restoring bank profits and capital. Instead of reducing interest rates and encouraging the banks to invest low-yielding deposits in higher-yielding government bonds, they rigged the equity market in what is jocularly known in Tokyo as the Price Keeping Operation. This encouraged overstretched financial institutions to sell low-yielding equities to invest in higher yielding bonds.

The logic of this operation, perceptively analysed in a recent circular by Andrew Smithers*, rests on the banking and insurance systems' excessive exposure to an equity market overvalued on fundamental grounds. The banks hold equity investments whose value is greater than their own capital. By selling shares to invest in less risky, higher-yielding assets, they can usefully reduce exposure to an inflated stock market as they struggle to overcome their bad debts in property.

So, too, with the Japanese life companies, which are insolvent in the sense that they have promised policyholders a higher return than than they are able to earn currently on their investments. They are thus diversifying out of equities that yield less than 1 per cent into bonds that yield more than 4.5 per cent.

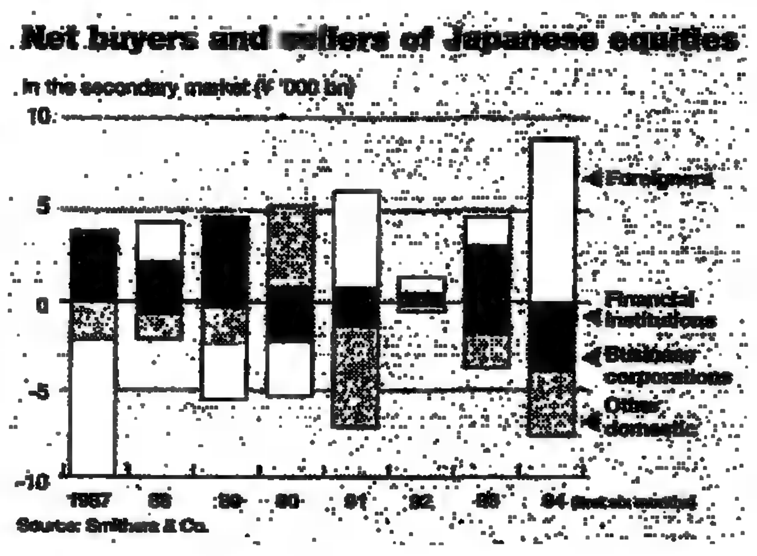
Like the banks, they are able to do so largely thanks to the buying activity of the state-run postal savings and insurance institutions and the state pension funds, which have allocated an annual $57bn for the task. By a happy accident, foreigners started buying in bulk late last year, just when these funds were running low. The result is that the market is largely independent of the economy; and any attempt at a significant equity rally always runs into heavy selling. To buy Tokyo on the expectation of economic recovery is thus pointless.

It is doubly pointless, as Andrew Smithers argues, if people allocate foreign assets on the basis of the standard global market indices, which do not allow for the overweighting of Japan that arises from the high incidence of cross-shareholdings.

As foreigners realise they are stabilising Japanese markets for no satisfactory return, they are bound to repatriate funds – just as the Japanese did after their experience stabilising US markets. They are almost certainly doing so already. For their part, the biggest Japanese institutional investors, the life companies, face new regulatory constraints in the aftermath of the bubble.

Both equities and foreign bond holdings now carry a capital penalty relative to domestic bonds. This reduces the attraction of the healthy yield premium on US Treasuries and UK gilts in a more stable currency environment, which might otherwise be helpful in addressing the insurance companies' mismatch of assets and liabilities. In effect, the penalty on foreign holdings gives life companies a powerful incentive towards short-term trading rather than long-term investing. It follows that Japanese capital outflows may prove less stabilising than many hope.

Japanese Equities: Will The Rigging Have to Stop? – Andrew Smithers, Smithers & Co.



Total return in local currency to 8/12/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.04	0.10	0.10	0.16	0.10
Month	0.44	0.19	0.42	0.45	0.70	0.49
Year	3.75	1.81	5.25	5.73	8.68	5.08
Bonds 3-5 year						
Week	0.11	0.14	-0.31	-0.22	0.16	-0.10
Month	-0.04	1.01	0.61	1.16	1.20	1.04
Year	-3.00	-1.42	0.21	-0.35	2.39	-1.16
Bonds 7-10 year						
Week	0.70	0.09	-0.04	-0.27	0.08	-0.27
Month	1.39	1.28	1.85	3.05	1.59	1.75
Year	-8.41	-3.87	-3.47	-5.71	-4.39	-5.28
Equities						
Week	-0.7	0.2	-0.8	-0.5	-3.4	-0.8
Month	-3.9	-1.5	-0.8	1.5	-1.8	-7.4
Year	-1.2	9.4	-5.9	-7.3	-8.1	-3.9

Source: Cash & Bonds – Lehman Brothers. Equities – NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

COMMODITIES — Richard Mooney

Japan hungry for platinum

Japan may have trouble next year satisfying its hunger for platinum and its sister metals, palladium and rhodium, as South African supplies continue to slow. So it will be particularly anxious about the outcome of talks starting today with Russian officials.

A mission from Almazyuvelirexport, the Russian platinum group metals export agency, in Tokyo to negotiate export contracts for 1995 with Japanese customers, is likely to find itself in a seller's market.

The Japanese are expected to want a 15 to 20 per cent increase in shipments of the metals. But Russia, which has little room for expansion of output, will have to make further and heavier releases from its stockpiles to satisfy this extra demand.

The Reuters news agency reported recently that South Africa's Impala Platinum Holdings had cut platinum contracts with Japanese buyers for 1995 to enable it to meet obligations to the US.

Other events this week include the publication today of the International Primary Aluminium Institute's October stocks assessment. Today also sees the start of a four-day meeting of the Association of Natural Rubber Producing Countries, the first since this month's decision to roll over the International Natural Rubber Agreement into another year.

On Wednesday the International Cocoa Organisation's executive production and consumption committees begin three days of talks to assess the market situation and study proposals for curbing supply by 350,000 tonnes over the next five years.

Commodity exchange officials from around the world will gather in Beijing on Thursday for a two-day seminar on futures trading being held by the city's commodity exchange.

Also coming on Thursday is the publication of official figures for Malaysia's palm oil stocks, exports and output. This will follow the issue of private forecasters' assessments on Wednesday.

Economics Notebook

Weakness on the R&D front

We live in an age of breathtaking technological change. Yet recent statistics point to a surprising weakness in research and development by businesses in the industrialised world.

The newly-published annual review* of industrial policy in the 25 developed countries of the Organisation for Economic Co-operation and Development reports a "remarkable decline" in industrial R&D growth rates in recent years.

In 1992, the latest year for up-to-date statistics in most countries, business sector R&D actually fell in real terms in Japan, France, Germany, Spain and Britain. In the US, spending rose by 2.5 per cent in 1992 and continued to grow at a modest 1.5 per cent in 1993. But these increases followed a drop of nearly 6 per cent in US business sector R&D in 1991 and smaller falls in the two preceding years.

Admittedly, the early 1990s saw recession or severe economic slowdown in the OECD countries. But, according to the Paris-based organisation, the recent real decline of business sector R&D was unprecedented in the last 20 years.

In the mid-1970s, R&D continued to grow, although slowly, at a time of recession and falling investment. In the early to mid-1980s, business sector R&D was effectively decoupled from output and physical investment in most leading economies and grew more strongly than production. The reason for this, according to the OECD, was "the shift to more knowledge intensive production".

The good news now is that R&D spending is increasing in the OECD countries that emerged first from recession. The organisation believes R&D, having reached higher levels in the late 1980s, will in future track the business cycle more closely and that the recent real declines will prove to be temporary.

But having made these points, the OECD does not delve deeper into the apparent increased cyclicality of R&D.

This is a pity because the OECD's 1993 annual review of industrial policy observed that "expenditure on physical investment and on research and development in the business enterprise sector plays a crucial role in determining the relative competitiveness of countries in the medium and the long term."

Of course, R&D is not the be-all and end-all of economic progress. Dubious past UK achievements such as the Concorde supersonic airliner and the advanced gas cooled reactor are reminders that R&D has to be geared to the demands of the market.

Production is also important: the most successful research business will run into trouble if it fails to turn its inventions quickly into marketable products.

Structural changes, such as the decline of defence spending in the US, UK and other leading arms producers, are doubtless depressing figures of business sector R&D.

But the apparent tendency of R&D spending to match rather than buck the business cycle may be telling us something about the changing nature of capitalism in the industrialised countries. This in turn raises questions about how best these countries can maintain competitiveness in the face of competition from more dynamic industrialising nations in Asia and elsewhere.

As another OECD study# makes clear, R&D differs from most other investment activities in that the investor often enjoys only limited direct benefit from the investment even where patent protection is available. "Spillovers are high and social returns often greatly exceed private returns, probably by as much as 30 to 50 per cent", it says.

Put another way, R&D may not produce the sure returns that modern hard-nosed businesses require.

The recent downturn in business R&D in countries such as the US and UK coincided not only with recession but also with increased pressure to boost rates of return and shareholder value in companies.

The accompanying chart shows how business enterprise R&D has declined as a percentage of gross domestic product in five of the biggest industrialised countries. Perhaps significantly, the decline set in first in the US and UK, the two countries where individualism and capitalism enjoyed their strongest revival in the 1980s. Only Japan, Sweden and Switzerland among OECD members have R&D to GDP ratios above 2 per cent.

The US and UK have also been in the lead in reducing numbers of R&D researchers, scientists and engineers in the business enterprise sector. "The decline is particularly pronounced in the UK where the number of researchers, scientists and engineers in the business sector declined considerably for four years in a row", the OECD writes.

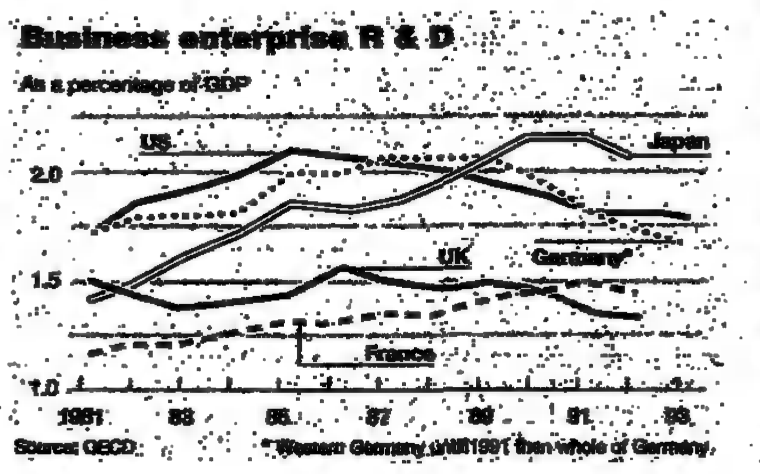
Could it be that the forces which have given us heavy lay-offs for many, and telephone-figure salaries for a few, may also be limiting business R&D in some of the leading OECD countries?

Meanwhile, countries outside the OECD are investing heavily in R&D. South Korea's economic plan provides for an increase in R&D expenditure to between 3 and 4 per cent of gross national product by 1998 against 2 per cent in 1991. Singapore's national technological plan aims to bring R&D up to 2 per cent of GDP next year.

The coming years will show which course bring greater overall prosperity. But there must be some risk that a reluctance to invest in R&D will accelerate the relative decline of the OECD's industrialised nations.

**Industrial Policy in OECD Countries, Annual Review 1994*
#See "Medium-term determinants of OECD productivity", by A Steven Englander and Andrew Gurney, in OECD Economic Studies No 22, Spring 1994.

Peter Norman



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock

FRIDAY DECEMBER 9 1994

Market	US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield
Australia (68)	166.50	–0.2	158.28	105.42	136.34	143.17	–12.4	4.02
Austria (18)	175.54	–5.1	166.84	111.14	143.94	144.23	–13.4	1.13
Belgium (35)	165.33	1.6	157.14	104.68	135.57	132.22	–8.8	4.16
Brazil (29)	174.63	–	165.98	110.57	143.20	271.61	–	0.76
Canada (103)	125.79	–7.4	119.56	79.64	103.15	126.00	–3.2	2.73
Denmark (33)	239.66	–3.0	227.79	151.74	196.53	201.20	–11.9	1.48
Finland (24)	177.40	44.0	168.62	112.32	145.47	181.56	21.3	0.77
France (102)	165.41	–6.0	157.22	104.73	135.64	140.40	–13.8	3.05
Germany (58)	135.86	–3.1	129.14	86.02	111.41	111.41	–12.0	1.86
Hong Kong (56)	309.71	–36.7	294.39	196.10	253.97	307.72	–36.6	4.02
Ireland (14)	195.45	5.5	185.76	123.75	160.28	179.70	–3.0	3.55
Italy (59)	69.91	1.9	66.45	44.26	57.33	85.10	–3.0	1.85
Japan (468)	151.31	16.3	143.82	95.81	124.08	95.81	4.4	0.80
Malaysia (97)	448.48	–24.2	426.28	283.96	367.77	442.90	–27.8	1.99
Mexico (18)	2016.66	–15.6	1916.77	1276.17	1652.80	7606.16	–8.2	1.34
Netherland (19)	207.60	4.3	197.32	131.44	170.24	167.42	–5.2	3.45
New Zealand (14)	69.79	2.6	66.34	44.19	57.23	58.42	–9.4	5.01
Norway (23)	201.42	12.1	191.44	127.53	165.16	187.72	2.4	1.78
Singapore (44)	346.33	–5.6	329.18	219.28	284.00	234.61	–13.9	1.82
South Africa (59)	319.82	19.7	303.99	202.50	262.26	289.89	15.7	2.29
Spain (38)	139.40	0.0	132.49	88.26	114.31	139.47	–7.6	4.09
Sweden (36)	227.56	15.9	216.28	144.08	186.60	252.89	4.4	1.58
Switzerland (47)	158.59	–1.0	150.74	100.41	130.05	131.41	–10.9	1.85
Thailand (46)	147.22	–	139.93	93.21	120.73	143.45	–	2.56
United Kingdom (204)	188.68	–8.0	179.33	119.46	154.72	179.39	–12.7	4.31
USA (514)	182.92	–3.7	173.87	115.82	150.00	182.92	–3.7	3.01
Americas (669)	171.08	–	162.61	108.32	140.29	142.30	–	2.93
Europe (706)	164.09	–2.6	155.96	103.89	134.56	147.83	–10.4	3.17
Nordic (116)	217.60	14.8	206.83	137.78	178.44	207.13	2.6	1.43
Pacific Basin (793)	158.07	9.0	150.24	100.08	129.62	104.23	–1.6	1.20
Euro-Pacific (1501)	160.49	3.5	152.55	101.62	131.61	121.44	–6.5	2.06
North America (617)	179.38	–3.8	170.50	113.57	147.09	178.01	–3.6	2.99
Europe Ex. UK (504)	147.23	–0.2	139.94	93.22	120.73	128.79	–9.0	2.51
Pacific Ex. Japan (325)	226.56	–21.0	215.34	143.45	185.78	198.85	–25.5	3.38
World Ex. US (1709)	162.38	3.2	154.34	102.81	133.16	125.06	–5.1	2.05
World Ex. UK (2019)	166.20	1.4	157.97	105.23	136.29	139.22	–3.7	2.18
World Ex. Japan (1755)	179.04	–4.6	170.18	113.36	146.82	170.55	–7.8	3.04
The World Index (2223)	168.19	0.7	159.86	106.49	137.92	142.86	–4.7	2.39

THURSDAY DECEMBER 8 1994 / DOLLAR INDEX

Market	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	167.69	158.96	106.49	137.55	144.85	169.15	157.28	159.51
Austria (18)	178.45	169.17	113.38	146.37	145.84	198.89	167.48	182.96
Belgium (35)	166.82	158.14	105.94	136.83	133.41	177.04	159.64	160.40
Brazil (29)	176.57	168.44	111.50	144.01	274.06	–	–	–
Canada (103)	126.38	119.79	80.25	103.65	126.43	145.31	120.54	136.02
Denmark (33)	240.56	228.04	152.77	197.31	202.12	275.79	234.08	241.17
Finland (24)	180.31	170.93	114.51	147.90	184.44	201.41	116.85	124.43
France (102)	166.40	157.74	105.67	136.49	141.43	185.37	159.34	172.02
Germany (58)	136.83	129.72	86.90	112.24	112.24	150.40	128.37	138.36
Hong Kong (56)	321.98	305.22	204.47	264.10	319.80	506.56	309.71	409.38
Ireland (14)	197.22	186.96	125.25	161.77	181.41	216.60	177.05	177.05
Italy (59)	71.67	67.94	45.52	58.79	87.28	97.78	65.87	66.99
Japan (468)	152.47	144.53	96.82	125.06	96.82	170.10	127.18	133.78
Malaysia (97)	459.99	430.37	288.31	372.38	448.39	621.83	430.71	621.22
Mexico (18)	2043.18	1936.86	1297.52	1676.87	7706.99	2647.06	1696.28	2248.30
Netherland (19)	208.84	197.98	132.63	171.30	168.38	228.30	191.28	195.17
New Zealand (14)	70.57	66.90	44.82	57.89	59.20	77.58	62.05	64.46
Norway (23)	203.00	192.44	128.92	166.51	189.31	211.74	169.11	172.15
Singapore (44)	355.18	336.71	225.56	291.34	240.40	401.38	294.66	326.73
South Africa (59)	322.87	306.07	205.04	264.83	298.57	342.00	205.56	238.57
Spain (38)	140.27	132.97	89.08	115.06	140.60	155.79	132.51	137.92
Sweden (36)	229.50	217.56	145.75	188.25	255.59	242.61	165.22	169.51
Switzerland (47)	159.32	151.03	101.17	130.67	131.96	178.56	149.91	158.44
Thailand (46)	152.28	144.36	96.71	124.91	148.35	–	–	–
United Kingdom (204)	191.44	181.48	121.56	157.03	181.48	214.96	181.11	197.90
USA (514)	182.33	172.84	115.79	149.55	182.33	196.04	178.95	169.09
Americas (669)	170.66	161.78	108.36	139.96	141.95	–	–	–
Europe (706)	166.82	157.19	105.30	136.01	149.26	178.58	160.59	165.30
Nordic (116)	219.54	208.11	139.42	180.07	209.16	233.91	190.05	184.73
Pacific Basin (793)	159.62	151.32	101.37	130.93	105.54	176.66	141.04	145.08
Euro-Pacific (1501)	162.12	153.68	102.95	132.97	122.82	175.14	152.64	183.34
North America (617)	178.86	169.55	113.58	146.70	178.48	192.73	178.67	185.67
Europe Ex. UK (504)	148.43	140.71	94.28	121.76	129.99	158.12	142.17	144.65
Pacific Ex. Japan (325)	231.54	219.49	147.04	189.92	209.46	298.21	228.56	252.96
World Ex. US (1709)	164.00	155.47	104.15	134.52	126.46	176.65	154.31	155.12
World Ex. UK (2019)	166.92	158.24	106.01	136.91	139.98	178.59	161.50	162.35
World Ex. Japan (1755)	179.83	170.47	114.20	147.50	171.28	185.20	178.34	183.70
The World Index (2223)	169.09	160.29	107.39	138.69	143.74	180.80	164.59	165.45

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 122.22 (Local).
Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 184.07 (Pound Sterling) and 149.94 (Local). Constituent change during the week ending 9/12/94: Addition: McKesson Corp. (New) (USA).
Please note: Routine quarterly changes will be announced shortly, following the FT-AWI Policy Committee meeting.

The Emerging Investor / Simon Holberton

China's entrance switches to exit

At one stage on Friday during the Hong Kong stock market's dizzying 3.5 per cent fall a colleague of Mr Iain McEvatt, chief executive of Indosuez Asset Management, asked what to do. "Put on crash helmet and sit in the corner," said the garrulous Irishman who has nearly $3bn under management.

Mr McEvatt's colleague was not the only fund manager reaching for crash helmets.

Since the beginning of the year when the Hang Seng Index of leading Hong Kong stocks reached its all time high of 12,201.09 the index has shed more than 36 per cent of its value, making Hong Kong the worst performing market this year.

On Friday it closed at its low for the year of 7,789.07.

Six percentage points of this year's decline occured last week as investors, mainly US and European mutual funds, cut their exposure to Hong Kong stocks.

A combination of fears about higher US interest rates, and concern about China have made international investors chary of committing too large a proportion of their portfolio to the colony's bourse.

Amplifying the size of the price change has been the ease with which investors can reduce their holdings of Hong Kong equity when, as happened last week, the taste for Asian equity turned sour.

Asset allocators in the US and Europe may take a regional perspective when investing in Asia's emerging markets. However when it comes to reducing their exposure to the region, Hong Kong is the market which often bears the brunt of the selling as it is a deeper and more liquid market than any other.

Last year the colony was touted as the gateway to China. Recently it has fulfilled this role in an unintended way. It has become many investors' exit from China.

Underlying this change in sentiment is the performance of the Hang Seng China enterprise index, a new index which measures the price performance of Hong Kong's so-called "red chips". It has nearly halved in value this year from 1,947.43 to 1,002.61 on Friday.

Concerns about the Chinese economy, especially the apparently uncontrollable rises in inflation, have been with investors for most of this year. What has changed, however, is the perception of China risk.

"The mood surrounding China has changed from over optimism to greater reality," said Mr Danny Truell, head of Hong Kong and China research at SG Warburg in Hong Kong.

From being "maximum bullish", investors, especially international investors, have become moderately concerned.

Lehman Brothers' $100m law suit against three leading state companies, problems with the lease of MacDonalds, the fast food chain, in Beijing, and evidence that commercial banks are becoming wary about lending to China have all served to undermine investors' belief in the "China story".

But Mr Truell, like others, believes that foreign investors may have overstated China's problems.

Mr Richard Witts, managing director of United Mok Ying Kie, a local brokerage, believes that inflation in China next year will fall significantly from current levels of about 27 per cent.

The factors which boosted prices this year, such as grain price deregulation and changes to China's exchange rate regime, were "one off" and would not affect prices in 1995.

What concerns most analysts in Hong Kong is interest rates.

The colony's rates follow those set by the US Federal Reserve because of the Hong Kong dollar's fixed link to the dollar. As the Fed has tightened policy, investors in Hong Kong have seen a turnround from sharply negative real rates at the beginning of the year to mildly positive real interest rates today.

Most analysts believe that share prices do not have much chance of advancing until the top of the current interest rate cycle becomes apparent, and that may not be until the second quarter of next year.

In the meantime analysts are attempting to assess the impact on corporate earnings of the change in the interest rate environment.

Mr Truell believes that Hong Kong's stock market has become much more sensitive to interest rates over recent years. He estimates that 64 per cent of the market's earnings will derive from property and banking in 1995, compared with 51 per cent in 1991. Banks and property companies perform better when interest rates are falling rather than rising.

Over the course of the past three months earnings forecasts have been trimmed. In the summer analysts were looking forward to 1995 earnings growth of 16 to 18 per cent. That was cut in November to 14 to 16 per cent. Some analysts have reduced their forecasts further in recent weeks to 10 to 13 per cent.

With earnings expected to grow next year by this latter amount the Hong Kong market is trading on a prospective p/e ratio of 9.5 to 10. This is toward the bottom of the market's historic trading range, leading many to believe that the market may not have that much further to fall before it begins to improve.

Ms Janice Wallace, head of equity research at Goldman Sachs Asia and a consistent bear of the Hong Kong market for most of 1994, believes that the market may be due for a correction. "Perhaps we have overdone things on the way down," she said.

She is forecasting the Hang Seng at 9,500 for the end of 1995 – a 20 per cent gain from current levels. "But I expect most of it in the second half of 1995," she said, adding that further rises in US interest rates would depress prices in the first half.

For perennial bulls such as Mr Witts the conclusion to draw from last week's stock market rout is obvious: "I think we are in deep buying territory," he said.

Ten best performing stocks

Stock	Country	Friday 9/12/94	Week on week change $	%
La Fabril	Peru	2.1587	0.4053	23.12
Peru-Pacifico	Peru	1.1004	0.1474	15.47
Banco Bradesco (Pfd)	Brazil	0.0093	0.0011	13.80
Empresa De Telecomunicaciones	Chile	9.8713	1.0172	11.49
Eletrobras	Brazil	0.3095	0.0395	11.26
Alpargatas	Argentina	0.7133	0.0641	9.88
Int. Container Term. Serv.	Philippines	0.7604	0.0683	9.86
Telesp (Pfd)	Brazil	0.4852	0.0421	9.50
Walsin Lihwa Wire & Cables	Taiwan	1.3654	0.1090	8.67
Hualon Teijran	Taiwan	0.9975	0.0789	8.59

Source: Baring Securities

News round-up

■ Strategy

Salomon Brothers has forecast that Asian stock indices will rise by a average of 20 per cent next year, *agencies report.*

Salomon said that while trading condition in 1995 were likely to be difficult, following depressed activity throughout this year, higher index levels were still likely.

Growth in earnings per share should be strong, but lower than in 1994, with valuations remaining near the upper end of historical ranges.

The liquidity outlook was not as favourable, with fund inflows more modest than in 1994, Salomon said.

Salomon added that it expected volatile market movements in the near term, an early rally in the new year triggered by the next rise in US rates and a steady bond market.

There would be stronger and more sustained gains as confidence returned once US rates reached their peak.

■ Taiwan

Martin Currie Investment Management is raising an open-ended fund of at least $50m to invest in Taiwan shares, *reports Laura Tyson in Taipei.*

At least half of the funds will be invested in smaller companies with market capitalisation below $300m. These offer faster earnings growth at lower ratings than the blue-chips targetted by most Taiwan funds.

The fund will also invest in companies listed on the over-the-counter market, which the government seeks to develop. The OTC market is slated to be opened to foreign investors in early 1995. The closing date for the fund is 16 January 1995.

■ Egypt

Equities on the Egyptian stock exchange finished at their lowest level since October 5 last week, according to data from the Capital Markets Authority.

More than 600 companies are registered but many are family owned in which shares are rarely available. The index was set at 100 in February 1992.

■ Nigeria

Nigeria has said that it will make funds available next year for the formation and operation of a commodity exchange and futures market.

General Oladipo Diya, the chief of general staff, said that the planned commodity market, "is one of the measures being taken by this administration to redeem the country's ailing economy".

The government was studying the workings of commodity exchanges in Tokyo, London and Kuala Lumpur.

■ Argentina

Telecom Argentina said it has established a sponsored American Depositary Receipt programme with Morgan Guaranty Trust Co, a unit of JP Morgan & Co Inc.

The company said that each American Depositary Share will represent 10 Class B ordinary shares of Telecom Argentina and will begin trading on the New York Stock Exchange today.

■ Tibet

The world's highest stock exchange in Lhasa, capital of China's Tibet region, has seen its highest daily turnover of Yn5m ($588,000) since it opened in January.

The stock exchange has more than 2,000 members in a city of just 180,000. The exchange is a member of China's two stock exchanges in Shanghai and Shenzhen and trading is linked.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Baring Securities emerging markets indices

Index	9/12/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (301)	170.18	-1.77	-1.03	-12.52	-6.85	+1.77	+1.05
Latin America							
Argentina (20)	96.19	-0.22	-0.23	-7.43	-7.17	-19.19	-16.63
Brazil (21)	226.15	+9.58	+4.42	-7.99	-3.41	+86.50	+61.94
Chile (12)	224.33	+1.03	+0.46	+0.57	+0.25	+76.79	+52.05
Mexico (25)	137.33	-5.48	-3.84	-8.82	-6.04	-23.93	-14.84
Peru(16)	929.28	+21.57	+2.38	-6.90	-0.74	+353.19	+61.31
Latin America (94)	164.86	+0.11	+0.07	-7.56	-4.38	+15.62	+10.46
Europe							
Greece (16)	86.67	+2.30	+2.72	+4.23	+5.13	+3.58	+4.31
Portugal (18)	118.27	+0.24	+0.20	-4.41	-3.60	+6.14	+5.48
Turkey (21)	83.86	-2.51	-2.91	+5.71	+7.31	-77.85	-48.14
Europe (55)	100.12	+0.35	+0.35	+0.59	+0.59	-12.12	-10.80
Asia							
Indonesia (26)	130.96	-5.25	-3.85	-20.69	-13.64	-40.08	-23.43
Korea (23)	143.52	-4.11	-2.78	-24.07	-14.36	+33.82	+30.83
Malaysia (23)	195.62	-11.66	-5.63	-31.91	-14.02	-57.43	-22.69
Pakistan (11)	108.07	-1.97	-1.79	-1.65	-1.51	-3.62	-3.24
Philippines (12)	267.67	+3.72	+1.41	-44.62	-14.29	-54.81	-17.00
Thailand (25)	234.70	-11.91	-4.83	-40.76	-14.80	-28.86	-10.95
Taiwan (32)	174.20	+4.82	+2.85	+5.72	+3.40	+20.49	+13.33
Asia (152)	199.81	-5.84	-2.84	-25.35	-11.26	-21.60	-9.76

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES

Philip Gawith

Market focus on US data

Traders will this week focus on the deluge of US data to be released in the run-up to next Tuesday's policy meeting of the Federal Reserve.

Expectations that the Federal Open Markets Committee would raise interest rates hardened last week after an appearance before Congress by Mr Alan Greenspan, the Fed chairman.

The picture was subsequently muddied by the financial troubles of Orange County, California, prompting fears of systemic financial instability.

This raises the prospect that the Fed will decline to tighten policy, to avoid aggravating financial weakness with higher interest rates. This could undermine the dollar, which has been supported recently by expectations of higher rates.

Some observers argue that even on economic grounds the case to tighten is not proven. Mr Dave Munro, chief US economist at High Frequency Economics in New York, says the 1 per cent pace of unit labour cost inflation, and the sluggish PPI and CPI, "give the Fed leeway to let its past tightening work into the economy".

He also predicted joblessness and capacity utilisation were likely to steady soon at levels which did not constitute an inflationary threat.

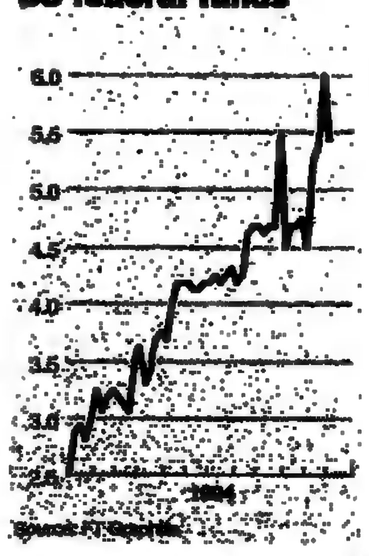
This week will provide ample data to help investors form a view. Retail sales and PPI figures will be released tomorrow, with CPI, industrial production and current account figures on Wednesday.

The UK faces a similarly congested week of data, including producer and consumer prices, distributive trades and monthly trends surveys from the CBI, retail sales and labour market figures. The edge has been taken off these figures, however, by last week's decision to raise the base rate to 6.25 per cent.

Higher rates and good economic fundamentals have lent support to sterling, but its progress is hampered by political uncertainty.

In Germany, as with the US, the key event comes next week, with the pre-Christmas Bundesbank council meeting.

US federal funds



FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 9, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5885.40	3459.25	2193.18	3459.72
Albania	(Lek)	156.580	100.378	63.8398	100.218
Algeria	(Dinar)	66.1371	42.4037	29.8839	42.3568
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	16.0737	9.6544	6.1272	9.649
Germany	(D-Mark)	2.4601	1.5772	1	1.5747
Ghana	(Cedi)	1621.88	1039.87	659.274	1038.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	47.9288	[illegible]	[illegible]	30.679
Panama	(Balboa)	1.5597	[illegible]	[illegible]	0.9963
Papua New Guinea	(Kina)	1.8041	[illegible]	[illegible]	1.1549
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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WORLD BOND MARKETS: This Week

NEW YORK

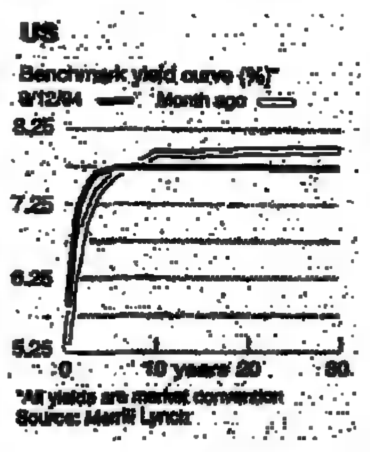
Richard Tomkins

The most prominent feature of recent movements in the US Treasury market has been the flattening of the yield curve, as investors buy long-term bonds in the belief that inflationary pressures will be driven out of the economy next year.

That belief was strengthened last week when Federal Reserve chairman Alan Greenspan made clear that more increases in short-term interest rates were in store, and probably soon.

Will the trend continue? The market's nerve could be shaken over the next few days in what is slated to be a busy week for economic data. Some of the figures could lead to worries that, in spite of the recent increases in interest rates, economic growth is failing to cool off in the way the Fed would like.

For example, the retail sales figures for November, due out on Tuesday, are expected to show a solid gain of 0.5 per cent as a result of buoyant consumer confidence.



Also on Tuesday, a rebound in energy and vehicle prices is likely to have contributed to a 0.4 per cent increase in the producer price index for November, compared with the 0.5 per cent decline in October.

And there could be more bad news on Wednesday with the publication of November's consumer price index: Salomon is predicting a surge of 0.4 per cent, the largest advance in 13 months, led by increases in clothing and housing costs.

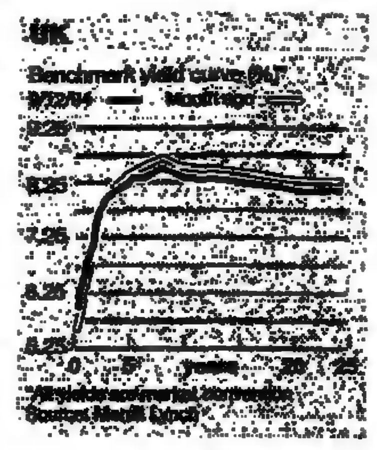
LONDON

Philip Coggan

Gilt traders hoping to get on with their Christmas shopping will have a host of economic statistics to distract them this week. With producer price figures today, the markets will have the chance to assess the state of retail sales, unemployment, average earnings and the public sector borrowing requirement. The most significant number will be November's retail price inflation on Wednesday.

Mr Mark Reckless, UK economist at S.G. Warburg, thinks the market has some rather demanding expectations for the week's statistics, particularly on inflation, and this could result in disappointment and an adverse impact on gilts.

But Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), is optimistic about gilts. "At the start of the week, the government appeared to be losing their authority on the fiscal front," he says, following the defeat on the VAT vote.



"But they've now regained that authority and also moved firmly on the monetary front with the rise in rates."

The main factor likely to hold back gilts in the short term, Mr Richardson says, is the relationship with other bond markets. The spread over German bunds was only around 120 basis points on Friday, and the US bond market could be affected by further fall-out from the Orange County bankruptcy.

FRANKFURT

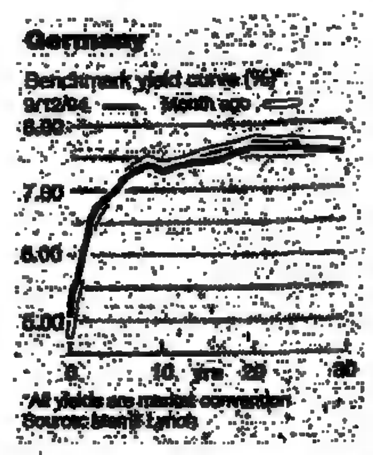
Andrew Fisher

The strength of Germany's economic recovery has taken economists and the financial markets by surprise, with last week's third-quarter GDP figures showing a further acceleration of growth in the western states.

This further weakened expectations that the Bundesbank would cut interest rates again – according to Industrial Bank of Japan's Adolf Rosenstock, it dealt them a "lethal blow" – though it did not eliminate them altogether.

Capacity utilisation in industry is approaching levels which threaten to push inflation higher, although prices have risen by a mere 1 per cent (on an annualised basis) in the past three months.

Among those taking a cautious line on German rates is BHF-Bank, which sees no pressing grounds for an early rise. Falling unit labour costs and weak private consumption should make for a risk-free economic outlook in 1995.



But a rise in short-term rates in the second half cannot be excluded in order to guard against inflation beyond next year, BHF feels.

The GDP strength took the market by surprise, but the reaction was mild; inflation and money supply trends have been bond-positive, notes NatWest Markets. With 10-year bund yields now around 7.30 per cent, Trinkaus Capital Management expects an easing to 7 per cent in mid-1995.

TOKYO

Robert Patton

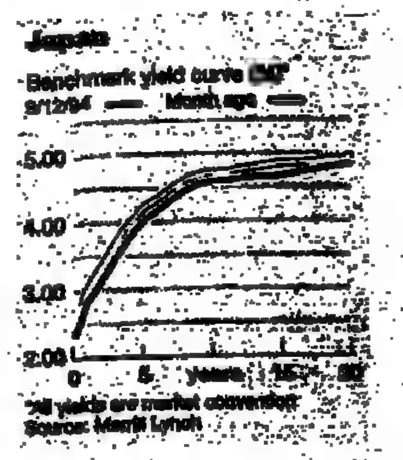
Japanese government bonds rebounded on Friday when the Bank of Japan's quarterly Tankan survey showed business confidence was growing, but at a modest rate.

The yield of the benchmark 10-year bond fell to 4.58 per cent, ending the week at the lowest level in two months. Non-government bonds also gained, with 4 per cent bank debentures trading at 4.04 to 4.05 per cent, compared with 4.075 per cent on Thursday.

Friday's announcement that, for the first time since the war the government would finance a bail-out of two failed savings institutions, was viewed as positive for the bond market and sparked an early rally.

This was further supported when the Tankan later confirmed traders' expectations that the business recovery was restrained.

Other credit union type savings institutions in Japan, which have been crippled by a potentially lethal infusion of bad debt, are likely candidates for future rescue operations. If credit were tightened now, such rescues would be much more difficult and costly.



The Tankan showed some improvements in the environment for corporate financing and the BoJ predicted that credit would remain easy for corporate borrowers. Major companies polled in the survey plan to cut capital spending by another 3.9 per cent after two consecutive years of decreases.

South African bonds

Global success bodes well for domestic issues

The resounding success of South Africa's $750m global bond offering, launched last week, suggests that international investors have discovered a taste for South African debt. They should now focus on the country's domestic bond market, where the returns are attractive and the signs are that it is poised to rally.

This has been a bad year for the South African government bond market, as it has for bond markets worldwide. Yields on long-dated government bonds climbed from below 12 per cent in January to 17 per cent in October. They have fallen back slightly in recent weeks to around 16½ per cent.

The sharp rise in yields was due partly to the adverse international bond market environment. But it was also due to concern among investors that the new Government of National Unity, dominated by the African National Congress (ANC), would spend excessively as it embarked upon its plan of reconstruction and development.

Furthermore, inflation began to turn upwards as the country's economic recovery gathered momentum.

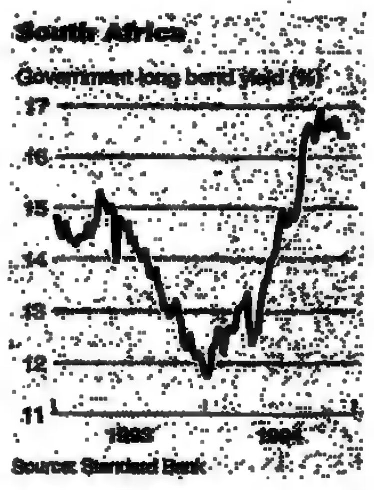
The new government's ability and willingness to keep a tight control on the budget deficit continues to be watched closely by international investors. After all, the country's outstanding public debt amounts to a relatively high 55 per cent of gross domestic product.

"It is here that the ANC is expected to have its greatest difficulties, and it is here that people are expecting results," said Mr Nicolas Blancher, an economist at Société Générale, the French bank, in Paris.

However, progress is being made. Tax revenues are growing and the government is likely to achieve its target for a budget deficit of 6.6 per cent GDP in 1994. The prospect is that it will fall further next year.

What is more, although price pressures have been strong – inflation recently jumped to an annual rate of around 10 per cent – much of this was caused by a surge in food prices following the 1992-93 drought.

Excluding food prices, inflation is running at a rate of about 7 per cent.



In addition, there has been a dramatic turnround in the capital account of the balance of payments. The country's foreign exchange reserves came under pressure in the run up to April's elections as many foreign investors closed their books on South Africa.

Since then, however, trade credits have been renewed and capital for project finance has begun to flow again. Net foreign exchange reserves have risen by R9bn since the election.

To add to this, the success of the global bond offering is likely to precipitate a flood of bond issues from some of the country's major public and private institutions, as well as further offerings from the government itself.

"The capital account seems assured of performing very well," said Mr Graham Bell, of Baring Securities in London. "All the concerns about the bond market are gradually being eased."

As ever, the extent to which South African government bonds can make any progress will depend on the general sentiment in international bond markets. But with signs of stability emerging in the US and Europe, the outlook is encouraging. "Rand bonds are poised to rally," said Mr Bell.

His view is shared by Mr Paul Abberley, head of fixed-income at fund managers Lombard Odier in London.

"The domestic market offers good value with attractive real yields and a relatively stable currency. There is always a political risk and the currency could come under pressure, but we're looking to buy back into the market," he says.

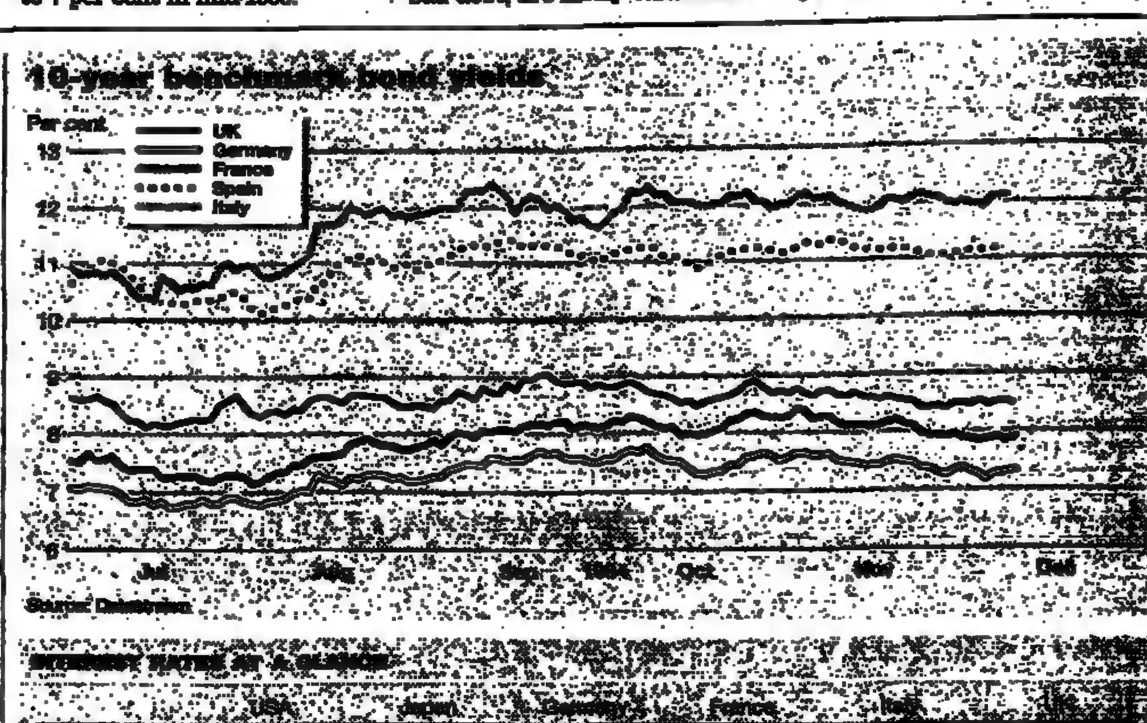
The greatest obstacles blocking foreign investment in South Africa have been the country's dual exchange rate system and exchange controls.

Foreign investors wishing to buy domestic bonds must do so through the financial rand, a relatively illiquid and volatile second-tier currency which trades at a discount to the commercial rand, the currency which is used for all regular balance of payments transactions. However, the government says it wants to merge the currencies and lift controls.

The prospect of that happening is likely to lead to a further strengthening of the financial rand against its commercial counterpart.

That is another reason to buy South African bonds now, says Mr Bell, since investors will benefit from an appreciating currency. The gap between the two currencies has already narrowed significantly.

Graham Bowley



US Treasury bonds

Investors take Greenspan at his word

Last week was tumultuous for the bond market, but not even unsettling events such as the largest municipal bankruptcy in US history swayed the bond market from believing the Federal Reserve will hold the line against inflationary pressures.

The yield curve, one of the key indicators of market sentiment about the economy, is nearly flat, with the spread between yields on two-year notes and the long bond only 85 basis points. It is, therefore, giving a clear message that investors have taken Mr Alan Greenspan, chairman of the Federal Reserve, at his word when he says he will not let inflation or inflationary expectations get out of control.

It is something he has been promising since the start of the year, when the spread between the long bond and the two-year note was 210 basis points.

Even five increases in the US base rate only brought the spread down to 110 points by early November as investors demanded high yields to counter the risk of holding a 30-year bond through a potentially inflationary period.

Then came the November 15 move, when the Fed pushed up base rates by 75 basis points to 5.5 per cent. With the market expecting a rate increase close to a 50 basis points, the central bank's action jolted the market into the realisation that the Fed meant business and the yield curve began almost immediately to flatten.

Part of the reason may be that US investors are bringing back money they had in European and Japanese securities and putting it into longer-term securities, including 10-year Treasuries, according to Mr Richard Gilhooly of Paribas Capital Markets in New York.

But while economists believe the trend toward flattening or even inverting – an indication that the market expects recession – will hold, they warn against counting on steady flattening in the near-term.

Ms Janet Showers of Salomon Brothers believes the curve will be flat to slightly inverted by late in the first quarter of next year, but refrains from trying to explain contortions it may go through before then.

"The market is confident of the Fed being able to control inflation and moderate growth," she says. "The market can also quickly change its mood with the next numbers that come out."

Ms Showers points out that on Monday the yield curve was at its flattest level in more than four years after strong employment figures led investors to conclude that the Fed would raise interest rates soon.

Toward the middle of the week, however, the curve reversed course after Orange County, California, declared bankruptcy and the market decided the Fed would refrain from further tightening to stave off more losses.

By the end of the week, the curve had flattened again after Mr Greenspan told a Congressional panel that Orange County's losses not deter him from more tightening.

This week, the market will look closely at figures on producer and consumer prices and capacity utilisation to determine when the Fed is likely to raise rates again.

A consensus is building that base rates will go to 6.5 per cent by the end of March, but opinion is divided about whether the central bank will tighten immediately after the December 20 meeting of its open market committee.

Mr Stephen Slifer of Lehman Brothers believes that there may be some intermediate steepening of the yield curve in the short term.

The market has factored in a December rate increase, Mr Slifer says, and if the Fed fails to do that the two-year/30-year spread could increase by 25 to 30 basis points.

"I don't disagree with the trend, but I think we've gotten a little ahead of ourselves," he says. While he foresees a 100 basis point interest rate increase by March, he thinks the Fed will have to be careful if it is to avoid recession and an yield curve inversion.

"If you start talking about a serious inversion with the Fed really hammering away [at rates] then you're talking about recession and then you avoid any chance of a soft landing," he says.

Lisa Bransten

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Nordic Investment Bank	250	Jan.1997	7.625	99.797R	7.738	+12½(7¾%-96)	Nomura International
BNG	200	Jan.1999	8.00	100.18R	7.946	+12½	Daiwa Europe
General Electric Capital Corp.	200	Dec.1997	7.875	99.89R	7.918	+15(7¾%-97)	UBS
Apache Corp.(d)§	150	Jan.2002	6.00#	100.00	-	-	NatWest [illegible]
CIC(a)‡	100	Aug.2001	(a1)	100.05	-	-	Sanwa International
Republic of South Africa	750	Dec.1999	9.625#	99.685R	9.706	+193(7¾%-99)	Goldman/ SBC
Bristol Oaks 1994-1(b)★‡	275	Jul.1999	(b1)	100.00	-	-	Citibank Intl/ Citicorp
ANZ Banking Group(k)‡	250	Jan.1998	(k1)	99.89R	-	-	UBS
Copenhagen International‡	200	Dec.1997	(m)	99.78R	-	-	Lehman/ JP Morgan
Kyushu Electric Power	300	Dec.1999	8.125	99.692R	8.203	+33(7¾%-99)	IBJ International
HJ Heinz Co.	300	Jan.1998	8.00	99.951R	8.007	+27(7¾%-97)	Goldman Sachs Intl.
Cartagena(q,s)	172	Dec.2010	10.65	99.81R	11.12	+300(7½%-04)	Lehman Brothers Intl.
Vorwerk	100	Dec.1998	12.50#	99.75R	12.57	+485(7¾%-98)	Chemical Inv. Bank
Eurofima(f)	100	Jan.1998	7.875	99.95R	7.89	+12(7¾%-97)	Daiwa Europe
YEN							
Argentaria Global Finance★	40bn	Jan.2001	4.50	100.00R	4.500	-	Nikko Europe
Daiwa Europe Bank(c)	25bn	(c)	(c)	(c)	-	-	Daiwa Europe
STERLING							
Sonar 1(i)‡	94	May.2021	(i1)	100.00R	-	-	Citibank International
Midland Bank‡	100	Jan.2000	(f)	99.73R	-	-	HSBC Markets
Depfa Bank(t)	100	Dec.1998	8.375	99.865R	8.451	+40(10%-98)	HSBC Markets
General Electric Capital Corp.	100	Dec.1998	8.25	99.874R	8.321	+25(10%-98)	BZW
MMS No.1, Tranche A1(l)‡	70	Feb.2030	(l1,s)	99.955R	-	-	NatWest Capital Mkts.
MMS No.1, Tranche A2(l)‡	93	Feb.2030	(l2,s)	99.45	-	-	NatWest Capital Mkts.
BCE(u)★	50	Dec.1999	7½#	97.40	-	-	BZW
D-MARKS							
Kingdom of Spain	2.5bn	Jan.2000	7.00	99.20R	7.195	+25(7%-99)	BayerLB/Commerzbank
BBDO Canada(j)#‡	200	Jan.2000	(j1)	99.49R	-	-	Morgan Stanley Frt.
Gilbey Investments‡	160	Oct.2001	(n,s)	99.95	-	-	DG Bank
Banco Bozano Simonsen	100	Dec.1997	10.00	100.80	9.680	-	BHF Bank
Republic of Austria	500	Dec.1999	zero	72.636	6.654	-	Commerzbank
FRENCH FRANCS							
Argentaria Global Finance	700	Dec.1996	7.125	100.00R	7.125	+25(8½%-96)	CCF
ITALIAN LIRE							
San Paolo, Lndn Brch(c)★	150bn	Dec.1996	zero	100.09	-	-	San Paolo, Turin
European Inv'ment Bank(p)‡	110bn	Dec.1999	(p1)	100.30	-	-	CS First Boston
Republic of Austria(e)	100bn	Dec.1997	11.00	102.375	10.03	-	Deutsche Bank London
CANADIAN DOLLARS							
General Electric Capl.Corp.	100	Jan.1997	8.25	99.735R	8.389	+12(7¾%-96)	Wood Gundy
GUILDERS							
European Investment Bank(r)	200	Dec.2001	7.50	100.15R	7.469	+10(8¾%-01)	ABN Amro Bank
AUSTRALIAN DOLLARS							
General Electric Capital Corp.	100	Jan.1997	10.00	101.90	9.428	-	Hambros Bank
New Sth.Wales Treas.Corp.★	100	Dec.1997	4.50#	87.394	9.421	-	Nomura International
AUSTRIAN SCHILLINGS							
National Bank of Hungary	750	Jan.2002	9.625	100.40	9.544	-	Creditanstalt/ RZB
HONG KONG DOLLARS							
General Electric Capl.Corp.★	500	Jan.2000	8.75#	99.70R	8.828	-	Nomura Intl. (HK)
SWISS FRANCS							
THK Co.(a)★§	100	Mar.1999	2.25#	100.00	-	-	UBS
Vorarlberger Landes-& Hypo.	100	Jan.2000	5.50	102.75	4.867	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
Eurofima	2.5bn	Jan.2005	8.00	102.05	7.699	-	Kredietbank
European Investment Bank	2.5bn	Jan.2003	7.875	102.00	7.539	-	BCEE
Oresundskonsortiet	2bn	Jan.2002	8.00	102.40	7.546	-	BIL
DSL Finance(g)	2.5bn	Dec.2000	8.00	102.875	-	-	Bqe.Paribas Lux/ BGL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #With equity warrants. ★Unlisted. [illegible]

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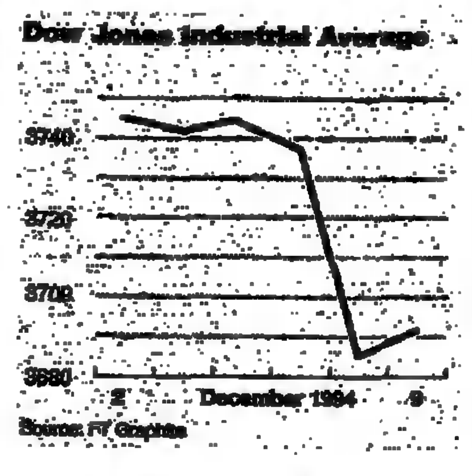
EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Hopes fade on Wall St for year-end rally



Hopes for a year-end rally are fading on Wall Street as bad news seems to overtake the market every time it tries to edge up.

With little economic news out last week, the market tumbled on Thursday and held flat on Friday amid uncertainty about the implications of the largest municipal bankruptcy in US history.

Worries surrounding Orange County, California's financial troubles may be overtaken this week by fundamental economic data.

Investors will take close note of the consumer price index for November to be released on Wednesday.

Although most data shows rising raw materials prices, such increases have yet to pass through to consumer levels. So far this year the CPI has held relatively steady at an average of 0.2 per cent a month.

Economists are once again predicting the CPI figure will show an increase and many remain puzzled that it has remained so low.

Mr Bill Sharp, an economist at securities firm Smith Barney, foresees an increase to 0.3 in November's figure. But he is quick to concede that his firm has predicted an increase in the CPI figures since September, although it stayed even in that month and declined in October.

Private sector economists are not alone in their belief that inflationary pressures will ultimately work their way into consumer prices. Last week Mr Alan Greenspan, chairman of the Federal Reserve, said the same to Congress's joint economic council.

In that testimony, Mr Greenspan implied that the Fed was not averse to further monetary tightening to keep inflationary expectations under control.

Most economists now believe there will be another rate increase by early next year, and few rule out the possibility that the Fed could move after the December 20 meeting of its open market committee.

In addition to the CPI data, the Fed and the market will take cues from figures on November producer prices and capacity utilisation due out Tuesday and Wednesday respectively.

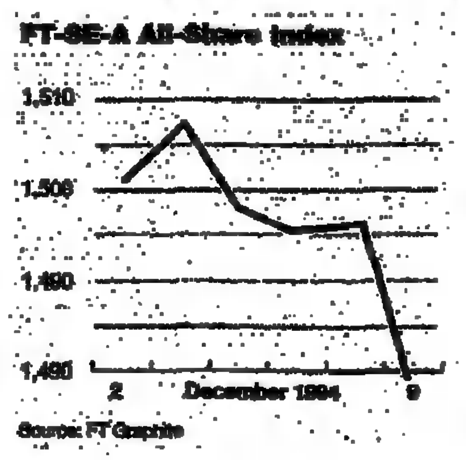
Although producer prices showed a decline in October, economists believe the figures will pick up again for November on the assumption that car and truck sales – which fell in October, dragging down the overall index – will have increased for November.

Perhaps more telling will be the capacity utilisation figures. Economists at Chemical Securities, a unit of Chemical Banking, predict the data will show 85 per cent of the economy's capacity being used for the production of goods, the highest level since 1979.

There is no way to judge how the market would react to such news. In recent weeks it has alternately risen and fallen amid signs of inflationary pressures.

LONDON — Steve Thompson

More progress for '95 less and less likely



Any market that can survive relatively intact after a week which included news of a significant defeat for the government in the House of Commons, a half percentage point rise in UK interest rates, a mini-budget featuring big tax increases in consumer areas, and the threat of another base rate rise in the US has to have very solid foundations.

Whether the UK equity market can build on such solid ground in the short term is another thing.

More than ever, markets appear to be at the mercy of a Wall Street showing increasing volatility and being hit by a succession of hammer blows.

With each blow confidence is draining away from Wall Street and worries about the US are gnawing at London's fragile grip on the 3,000 level.

Not even the prospect of a bid battle triggered by the merger discussions between two of the financial world's biggest names – S.G. Warburg and Morgan Stanley – could check stock market slides across Europe on Friday.

The woes affecting Wall Street last week came from three different directions.

First, Fidelity Investments' Magellan Fund, one of the biggest mutual funds in the world with assets of $35bn, said it would not make a year-end distribution to its 3m investors, causing ripples of unease across world markets.

Second, the local authority in Orange County, California, filed for bankruptcy, prompting fears that it may be forced to liquidate its $20bn bond portfolio.

Third, and most importantly, the prospects of another interest rate rise in the US grew strongly after Mr Alan Greenspan, the Fed chairman, testified to the Joint Economic Committee of Congress that the US economy was growing faster than expected and that the financial markets apparently still doubted the Fed's determination to fight inflation.

The Federal Open Market Committee meets on December 20 and Mr Greenspan's remarks can only be interpreted as a strong indication that US rates will rise again, only a month after the last increase.

The response in London to the government's defeat over the second stage of the imposition of VAT on domestic fuel and the subsequent interest rate rise was impressive, as it was initially to the increases in taxes on alcohol, tobacco and fuel.

However, with the Conservative government lurching from crisis to crisis and Wall Street unnerving even those with the strongest of constitutions, it is looking increasingly unlikely that UK equities can make much progress before the end of the year.

Unless of course, there are more big bids in the pipeline and the Warburg saga developes into something of an auction.

Chinese issues

Mainland offers get cold shoulder from the US

Shandong International Power Development has become the latest victim of a tendency for Chinese companies to be given the cold shoulder by US investors.

The power group admitted on Friday that its flotation, involving an issue of American Depositary Receipts (ADRs) and a listing in Hong Kong, will not now take place until early next year. The listing had been scheduled for November.

Another recent victim was Concordia Paper, which produces recycled packaging and paper. It originally planned to raise up to $56m with an initial public offering via Lehman Brothers and S.G. Warburg, but scaled it back to $20m.

The smaller offering was a success, with shares issued at $10 a week ago trading on Nasdaq at that level on Friday. "The company now has an audience to go back to," said a banker close to the deal.

SIPD is looking to raise around HK$2.7bn with its planned offering, which will be jointly brought by Goldman Sachs and Peregrine Capital.

The company blamed poor market conditions for its delay but while this may be true in the Hong Kong market, where the shares will be listed, it is more likely that SIPD has its eyes on the US market, where it had planned to issue ADRs.

The performance of ADRs issued by fellow China power companies Shandong Huaneng and Huaneng Power International has not suggested an enthusiastic welcome from US investors.

ADRs in Shandong Huaneng, the first mainland state-owned enterprise to seek a primary listing on Wall Street, were issued at US$14.25 on August 4 and on Friday were trading around $9.25. CS First Boston acted as global co-ordinator of the deal, which represented 27 per cent of the outstanding share capital.

Huaneng International Power, which hit Wall Street on October 6 after slashing the price of its stock some 27 per cent over the course of the roadshow, has seen its ADRs fall from the issue price of $20 to $15.25 on Friday.

Until Shandong Huaneng, there were four mainland companies listed on the New York Stock Exchange: Brilliance China, China Tire, Ek Chor Motorcycle and Shanghai Petrochemical. In October Huaneng Power, an associate company, became the sixth US listed mainland company.

The experience of the latest two China companies on Wall Street has been the same as that of their predecessors, all have seen weak performances and lacklustre volumes.

The US cold-shouldering of mainland stock trading on Wall Street has prompted the Chinese regulatory authorities to explore means of encouraging dual primary listings in the US and Hong Kong – as achieved by Shanghai Petrochemical and its sponsors Merrill Lynch Hong Kong and Peregrine Capital last year.

This would enable companies to widen their investor base with a US listing, while recognising that the bulk of demand, for now, will be in Hong Kong.

In turn, this may mean two of China's biggest overseas listings earmarked for New York might dovetail their flotations with Hong Kong offerings. They are China Southern Airlines, being brought to market by Goldman Sachs, and China Eastern Airways, being arranged by Morgan Stanley.

US investors are likely to give them a cooler welcome than a year ago. The US investor's view of Chinese investment may also have been affected by news that Lehman Brothers, the US investment bank, is suing three of China's biggest trading companies for allegedly failing to pay nearly $100m in debts.

Louise Lucas and Martin Brice

OTHER MARKETS

WARSAW

Poland's state-owned Bank Przemyslowo Handlowy (BPH) goes on sale today, with the government offering 50.2 per cent of the equity to private investors at a minimum price of 700,000 zlotys a share, *writes Christopher Bobinski.*

The offer comes as the local stock market continues in the doldrums, with the government taking the unprecedented step of telling investors buying up to 16m zlotys worth of BPH shares that they can offset the purchase against income tax next year.

Officials are also looking to foreign investors and underwriters to salvage a sale worth 4,130bn zlotys ($170m), if the minimum price is accepted.

This compares with the 8,500bn zlotys worth of new share offers and rights issues absorbed by the market in the first half of this year and overall new equity sales worth 5,300bn zlotys in the third quarter.

Mr Krzysztof Kalicki, the deputy minister responsible for the sale, has said he is talking to the European Bank for Reconstruction and Development as well as two other foreign institutions about guarantees for the offer.

The privatisation of the bank by mid-January is a condition, set by western governments, of a $800m grant to help finance a domestic corporate debt reduction scheme which last year allowed the state banking sector to improve its balance sheets.

Polish Life Improvement, a privately-owned provincial retail chain going public today with an offer of 5m shares has, by contrast, slashed its share price to 55,000 zlotys from the original 110,000 zlotys.

This comes after an initial public offer by the Jutrzenka chocolate maker was largely left with the Bank Handlowy and the Bank Zachodni, which underwrote the issue. Also, the Vistula garment maker in Krakow has reported scant interest in its latest rights issue, which looks likely to go to underwriters.

JOHANNESBURG

With the reporting season largely over in South Africa, the stock exchange is preoccupied with dividends – mining house Gold Fields of South Africa is due to release details this week – and trying to decide whether the current bull market has largely run its course, *writes Mark Suzman.*

South African stocks have weathered the global downturn in equities better than most markets and both gold and industrial stocks have had a good year.

However, with its p/e ratio edging up to 19 and only moderate growth of 3 per cent to 4 per cent expected over the next year, some analysts are predicting a limited correction before the JSE can resume its upward climb.

Others, however, remain bullish, particularly on industrial stocks, in light of the market's expanding international profile.

The optimists cite a recent report by Banque Paribas which predicts that $2bn–$3bn could flow in over the next 12 months because of South Africa's size relative to other emerging markets, while pessimists point to probable currency depreciation as a disincentive to foreigners.

However, no major movements are expected until after the holiday season.

HONG KONG

The market looks set to fall further this week as fund managers continue to wind down their positions in Asian markets ahead of the year end, *writes Louise Lucas.*

Brokers tentatively put the next resistance point for the Hang Seng index at 7,500, after a week that saw some 5.3 per cent sliced off its value, taking cumulative declines since the January peak to some 36 per cent.

On Friday alone, the index lost 279.24 or 3.5 per cent, to 7,789.07. The downward plunge is attributed largely to redemption pressure on US funds, with portfolios worldwide dumping Asian stocks as desperately as they were buying them at this time last year. Asian markets are no longer repositories of the world's only growth story, and funds are being freed to plough into other equities and fixed income instruments.

Fears of rising interest rates, exacerbated by Mr Alan Greenspan's comments last week, also continue to plague sentiment.

TOKYO

Details of machinery orders in October and wholesale price index for November will be released tomorrow, *writes Robert Patton.* Analysts expect the WPI data to show a year-on-year decline, while machinery orders should be higher, if only because last October's orders were extremely weak.

The Bank of Japan will release November's money supply data on Thursday, the day before its governor, Mr Yasushi Mieno retires. He will be succeeded by the chairman of Sakura Bank, Mr Yasuo Matsushita.

Barclays de Zoete Wedd's Weekly Economic Survey on Friday noted that the "main theme of [governor Mieno's] last six months was bank balance sheet reconstruction and this should also be the main thrust of the new [governor]."

Compiled by Michael Morgan

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 9 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 9 / Frs.)

[illegible]

DENMARK (Dec 9 / Kr)

[illegible]

FINLAND (Dec 9 / Mkk)

[illegible]

FRANCE (Dec 9 / Frs.)

[illegible]

GERMANY (Dec 9 / Dm.)

[illegible]

ITALY (Dec 9 / Lire)

[illegible]

NETHERLANDS (Dec 9 / Fls.)

[illegible]

NORWAY (Dec 9 / Krone)

[illegible]

SPAIN (Dec 9 / Pts.)

[illegible]

SWEDEN (Dec 9 / Krona)

[illegible]

SWITZERLAND (Dec 9 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 9 / Yen)

[illegible]

AUSTRALIA (Dec 9 / Aus$)

[illegible]

HONG KONG (Dec 9 / H.K.$)

[illegible]

MALAYSIA (Dec 9 / MYR)

[illegible]

SINGAPORE (Dec 9 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 9 / Can $)
4 pm close

[illegible]

MONTREAL (Dec 9 / Can $)
4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 9 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). ¤ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, December 9, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.0m	358	−10	Hitachi	4.2m	971	−5
Mitsubishi Hvy	5.7m	716	−10	Kawasaki Steel	4.0m	398	−12
Toshiba	4.4m	703	−10	Fujitsu Ltd	3.9m	984	−15
Konica	4.4m	770	−12	NKK	3.5m	262	−7
Mitsubishi Elec	4.3m	898	−7	Sumitomo Mtl	3.5m	312	−8

INDICES

[illegible]

Japan							
Nikkei 225 (16/5/49)	18978.30	19180.04	19174.23	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	277.61	280.50	281.45	311.71	13/6	269.22	4/1
Topix (4/1/68)	1506.08	1521.06	1525.35	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2080.57	2089.13	2104.96	2542.06	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	811.26	925.34	851.96	1314.46	5/1	811.26	9/12

Turkey							
Istanbul Comp.(Jan 1986)	28692.5	28865.6	28457.3	28146.10	2/12	12880.70	24/3
WORLD							
MS Capital Intl (1/1/70)§	597.4*	602.3	607.6	649.90	2/11	581.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1321.58	1330.80	1335.96	1340.19	31/1	1266.46	5/10
Euro Top-100 (26/6/90)	1160.40	1172.86	1174.97	1311.61	2/2	1136.48	5/10
JCapalDrgns (31/12/88)	(u)	295.44	300.83	395.19	5/1	298.28	21/3
Barings Emerg.(7/1/92)	170.18	170.15	170.93	191.79	26/8	141.66	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	1946.0	1942.0	-20.0	1958.0	1939.0	15,889	38,157
Jan	1956.0	1950.0	-20.0	1959.0	1952.0	83	922
Feb	1971.5	1959.5	-20.0	1971.5	1971.5	136	158

Open interest figures for previous day.

** Sat Dec 2 : Taiwan Weighted Price 6479.82; Korea Comp Ex 1054.03. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 9 - 2024.19 –17.66

US INDICES

[illegible]

Industrials¶	538.40	528.45	535.72	563.10 (28/10)	510.05 (21/4)	563.16 (28/10/94)	3.62 (21/6/32)
Financial	40.54	40.45	41.23	46.94 (14/8)	38.87 (22/11)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	244.17	243.80	246.85	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	420.66	422.81	428.19	487.89 (2/2)	420.86 (9/12)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	719.05	719.12	734.27	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 2	Nov 25	Nov 18	Year ago
Dow Jones Ind. Div. Yield	2.84	2.87	2.79	2.70
	Nov 30	Nov 23	Nov 16	Year ago
S & P Ind. Div. yield	2.48	2.46	2.46	2.40
S & P Ind. P/E ratio	18.29	18.42	18.29	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	444.70	447.90	+1.95	448.20	443.65	49,916	140,203
Mar	448.95	450.90	+2.05	451.10	446.60	108,550	196,870
Jun	452.00	455.30	+2.15	455.50	451.10	484	6,079

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Vodafone	6,463,400	30⅝	+1
RJR Nabisco	5,979,300	5⅜	+¼
Wal-Mart	5,959,000	21½	+⅛
Br Airways	3,995,000	55¾	-1¼
Hanson	3,793,800	18¾	—
Ford Motor	3,567,900	26⅜	-⅛
Telefonos	3,410,700	51⅜	+1
Gen Motors	3,145,700	37¾	-⅛
A T & T	3,086,100	49⅝	+⅛
Merrill Lynch	3,060,700	33⅝	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Dec 9	Dec 8	Dec 7
New York SE	337.791	362.288	283.494
Amex	16.707	18.776	14,529
NASDAQ	(u)	305.438	249.235
NYSE			
Issues Traded	2,913	2,936	2,917
Rises	936	529	687
Falls	1,292	1,830	1,335
Unchanged	685	577	895
New Highs	5	4	10
New Lows	286	255	174

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3550	+0.048	483 - 617	17.3759	17.2858	17.3412	1.0	17.3006	1.3	-	-	115.1
Belgium	(BFr)	50.5795	-0.1394	635 - 954	50.7730	50.5580	50.5395	0.9	50.4445	1.1	49.8095	1.5	116.8
Denmark	(DKr)	9.6270	-0.0343	231 - 308	9.6640	9.6208	9.629	-0.2	9.6201	0.3	9.5804	0.5	116.6
Finland	(FM)	7.6057	-0.017	968 - 147	7.6290	7.5830	-	-	-	-	-	-	87.5
France	(FFr)	8.4397	-0.034	371 - 422	8.4722	8.4368	8.4352	0.6	8.4249	0.7	8.3405	1.2	109.8
Germany	(DM)	2.4601	-0.0073	592 - 609	2.4699	2.4582	2.4587	0.7	2.4541	1.0	2.4178	1.7	125.8
Greece	(Dr)	379.541	-0.968	402 - 680	381.043	379.357	-	-	-	-	-	-	-
Ireland	(I£)	1.0177	-0.0033	170 - 183	1.0212	1.0150	1.0178	-0.2	1.0168	0.3	1.0157	0.2	104.9
Italy	(L)	2542.23	-8.14	065 - 381	2548.63	2539.56	2547.33	-2.4	2557.33	-2.4	2597.63	-2.2	73.4
Luxembourg	(LFr)	50.5795	-0.1394	635 - 954	50.7730	50.5580	50.5395	0.9	50.4445	1.1	49.8095	1.5	116.8
Netherlands	(Fl)	2.7557	-0.0067	548 - 565	2.7652	2.7535	2.7539	0.8	2.7491	1.0	2.712	1.6	120.6
Norway	(NKr)	10.7094	-0.0358	061 - 126	10.7547	10.6670	10.7097	0.0	10.7096	0.0	10.701	0.1	86.0
Portugal	(Es)	251.572	-0.537	375 - 769	252.456	251.257	252.382	-3.9	253.857	-3.6	-	-	-
Spain	(Pta)	205.983	-0.795	872 - 094	206.888	205.846	206.273	-1.7	206.793	-1.6	209.188	-1.6	85.0
Sweden	(SKr)	11.7132	-0.0494	035 - 228	11.7676	11.7027	11.7302	-1.7	11.7627	-1.7	11.8817	-1.4	78.0
Switzerland	(SFr)	2.0846	-0.0049	835 - 856	2.0921	2.0830	2.081	2.1	2.0735	2.1	2.0281	2.7	120.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.3
Ecu	-	1.2877	-0.0049	872 - 881	1.2928	1.2870	1.2878	-0.1	1.2867	0.3	1.2781	0.7	-
SDR†	-	0.927328	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5568	-0.0037	564 - 571	1.5678	1.5540	-	-	-	-	-	-	-
Brazil	(R)	1.3179	-0.0084	161 - 197	1.3286	1.3164	-	-	-	-	-	-	-
Canada	(C$)	2.1574	-0.0034	567 - 581	2.1629	2.1528	2.1578	-0.2	2.1559	0.3	2.1578	0.0	85.9
Mexico	(New Peso)	5.3831	-0.0125	798 - 863	5.4040	5.3560	-	-	-	-	-	-	-
USA	($)	1.5597	-0.0043	594 - 599	1.5630	1.5567	1.5597	0.0	1.5598	0.0	1.5602	0.0	63.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0165	-0.0148	155 - 175	2.0266	2.0108	2.0187	-1.3	2.023	-1.3	2.0529	-1.8	-
Hong Kong	(HK$)	12.0701	-0.0291	674 - 728	12.0958	12.0479	12.0271	4.3	11.9846	2.8	11.9161	1.3	-
India	(Rs)	48.9263	-0.1348	146 - 380	49.0270	48.8380	-	-	-	-	-	-	-
Japan	(Y)	156.223	-0.9	143 - 302	157.280	156.010	155.733	3.8	154.698	3.9	149.023	4.7	188.6
Malaysia	(M$)	3.9893	-0.0115	978 - 007	4.0082	3.9925	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4587	-0.0122	573 - 600	2.4680	2.4546	2.4652	-3.1	2.4768	-2.9	2.5117	-2.2	-
Philippines	(Peso)	37.4516	-0.1815	476 - 156	37.5500	37.2870	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8499	-0.0161	485 - 512	5.8620	5.8392	-	-	-	-	-	-	-
Singapore	(S$)	2.2927	-0.0043	915 - 938	2.2971	2.2893	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5614	-0.0063	593 - 634	5.5679	5.5388	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4679	-0.0381	512 - 845	6.4880	6.4714	-	-	-	-	-	-	-
South Korea	(Won)	1234.23	-3.41	395 - 450	1238.13	1231.97	-	-	-	-	-	-	-
Taiwan	(T$)	41.1214	-0.0285	081 - 346	41.2030	41.0502	-	-	-	-	-	-	-
Thailand	(Bt)	39.1550	-0.1002	409 - 691	39.1710	39.1010	-	-	-	-	-	-	-

†SDR rates for Dec 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1276	+0.06	250 - 300	11.1455	11.1060	11.12	0.8	11.1035	0.9	11.006	1.1	104.4
Belgium	(BFr)	32.4300	-	250 - 350	32.5480	32.4250	32.4075	0.8	32.35	1.0	31.995	1.3	105.9
Denmark	(DKr)	6.1725	-0.005	710 - 740	6.1990	6.1710	6.1698	0.5	6.1735	-0.1	6.1625	0.2	105.0
Finland	(FM)	4.8765	+0.0025	715 - 815	4.8873	4.8573	4.8718	1.2	4.867	0.8	4.855	0.4	82.1
France	(FFr)	5.4113	-0.0058	105 - 120	5.4380	5.4105	5.4085	0.6	5.4032	0.6	5.3563	1.0	106.1
Germany	(D)	1.5773	-0.0004	770 - 776	1.5835	1.5759	1.5764	0.7	1.5738	0.9	1.5528	1.6	106.9
Greece	(Dr)	243.350	+0.05	300 - 400	244.130	243.300	246.05	-13.3	250.6	-11.9	269.1	-10.6	68.3
Ireland	(I£)	1.5326	+0.0008	318 - 333	1.5358	1.5273	1.5331	-0.4	1.5336	-0.2	1.5326	0.0	-
Italy	(L)	1630.00	-0.73	925 - 075	1633.60	1627.00	1633.55	-2.6	1640	-2.5	1668	-2.3	74.0
Luxembourg	(LFr)	32.4300	-	250 - 350	32.5480	32.4250	32.4075	0.8	32.35	1.0	31.995	1.3	105.9
Netherlands	(Fl)	1.7668	+0.0006	666 - 671	1.7734	1.7660	1.7658	0.7	1.7632	0.8	1.7411	1.5	105.5
Norway	(NKr)	6.8665	-0.004	655 - 675	6.8985	6.8387	6.8677	-0.2	6.865	0.1	6.8565	0.1	98.1
Portugal	(Es)	161.300	+0.1	200 - 400	161.850	161.200	161.825	-3.9	162.95	-4.1	166.56	-3.3	95.0
Spain	(Pta)	132.070	-0.145	020 - 120	132.550	132.020	132.245	-1.6	132.595	-1.6	134.22	-1.6	80.1
Sweden	(SKr)	7.5101	-0.011	051 - 151	7.5488	7.4980	7.5198	-1.6	7.5431	-1.8	7.6511	-1.9	81.2
Switzerland	(SFr)	1.3366	+0.0006	361 - 370	1.3416	1.3360	1.3342	2.1	1.3298	2.0	1.3018	2.6	106.0
UK	(£)	1.5597	-0.0043	594 - 599	1.5630	1.5567	1.5597	0.0	1.5598	0.0	1.5602	0.0	88.9
Ecu	-	1.2113	+0.0009	110 - 115	1.2115	1.2062	1.2114	-0.1	1.2118	-0.1	1.2165	-0.6	-
SDR†	-	1.45099	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	+0.0004	981 - 982	0.9982	0.9977	-	-	-	-	-	-	-
Brazil	(R)	0.8450	-0.003	440 - 460	0.8490	0.8440	-	-	-	-	-	-	-
Canada	(C$)	1.3833	+0.0016	830 - 835	1.3844	1.3819	1.3827	0.5	1.3826	0.2	1.3853	-0.1	82.5
Mexico	(New Peso)	3.4515	+0.0015	500 - 530	3.4550	3.4360	3.4525	-0.3	3.4543	-0.3	3.4617	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.2929	-0.0059	925 - 933	1.2970	1.2892	1.2936	-0.7	1.2954	-0.8	1.3082	-1.2	91.3
Hong Kong	(HK$)	7.7390	+0.0027	385 - 395	7.7395	7.7384	7.737	0.3	7.7356	0.2	7.7435	-0.1	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	100.165	-0.3	130 - 200	100.650	100.050	99.845	3.8	99.185	3.9	95.56	4.6	148.7
Malaysia	(M$)	2.5642	-0.0003	637 - 647	2.5650	2.5642	2.5612	1.4	2.5567	1.2	2.5847	-0.8	-
New Zealand	(NZ$)	1.5764	-0.0035	758 - 770	1.5800	1.5755	1.5773	-0.7	1.5798	-0.9	1.5888	-0.8	-
Philippines	(Peso)	24.0000	-0.05	500 - 500	24.0500	23.9500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-	505 - 510	3.7510	3.7505	3.7544	-1.1	3.7613	-1.1	3.7758	-0.7	-
Singapore	(S$)	1.4700	+0.0013	695 - 705	1.4708	1.4695	1.4685	1.3	1.465	1.4	1.4485	1.5	-
S Africa (Com.)	(R)	3.5658	+0.0058	650 - 665	3.5690	3.5530	3.5813	-5.2	3.6134	-5.3	3.7783	-6.0	-
S Africa (Fin.)	(R)	4.1470	-0.013	370 - 570	4.1570	4.1370	4.175	-8.1	4.2195	-7.0	4.457	-7.5	-
South Korea	(Won)	791.350	-	300 - 400	792.400	791.300	794.35	-4.5	797.85	-3.3	816.35	-3.2	-
Taiwan	(T$)	26.3658	+0.0555	615 - 700	26.3725	26.3200	26.3858	-0.9	26.4258	-0.9	-	-	-
Thailand	(Bt)	25.1050	+0.005	000 - 100	25.1120	25.1000	25.1345	-1.4	25.2255	-1.9	25.63	-2.1	-

†SDR rate for Dec 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 8. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 7/8	5 3/8	5 3/4	5 15/16	6 1/4	7.40	4.50	-
week ago	4 7/8	5 3/8	5 1/2	5 1/2	6	7.40	4.50	-
France	5 1/16	5 1/2	5 3/4	6	6 5/16	5.00	-	6.75
week ago	5 1/16	5 1/2	5 3/4	5 7/8	6 1/4	5.00	-	6.75
Germany	5.00	5.30	5.30	5.43	5.75	6.00	4.50	4.85
week ago	5.05	5.30	5.23	5.28	5.58	6.00	4.50	4.85
Ireland	5 5/8	5 3/4	5 7/8	6 3/8	7 1/16	-	-	6.25
week ago	5 3/4	5 3/4	5 3/4	6 1/16	7 1/16	-	-	6.25
Italy	8 5/8	8 3/4	8 7/8	9 1/4	10	-	7.50	8.20
week ago	8 5/8	8 7/8	8 7/8	9 3/8	9 7/8	-	7.50	8.22
Netherlands	4.84	5.34	5.43	5.57	5.94	-	5.25	-
week ago	4.84	5.34	5.35	5.44	5.79	-	5.25	-
Switzerland	3 7/8	4 1/16	4 1/4	4 5/16	4 3/4	6.625	3.50	-
week ago	3 1/2	4 1/16	4 1/16	4 1/4	4 7/8	6.625	3.50	-
US	5 7/8	6 1/16	6 3/8	6 7/8	7 1/2	-	4.75	-
week ago	5 3/4	6 1/16	6 5/8	6 7/8	7 3/8	-	4.75	-
Japan	2 1/4	2 1/4	2 1/4	2 1/4	2 1/4	-	1.75	-
week ago	2 1/4	2 1/4	2 1/4	2 3/8	2 3/8	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	6 1/8	6 3/4	6 7/8	7 5/8	-	-	-
week ago	-	6 1/8	6 1/2	6 7/8	7 1/2	-	-	-
US Dollar CDs	-	5.85	6.09	6.58	7.31	-	-	-
week ago	-	5.85	6.06	6.49	7.19	-	-	-
SDR Linked Ds	-	4 3/4	4 7/8	5 1/4	5 5/8	-	-	-
week ago	-	3 3/4	3 7/8	3 3/4	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 1/4; 3 mths: 5 3/4; 6 mths: 6; 1 year: 6 1/2. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 5/8 - 5 1/2	6 1/8 - 6
Danish Krone	5 1/4 - 5	5 5/8 - 5 3/8	5 3/4 - 5 1/2	6 1/8 - 5 7/8	6 1/2 - 6 1/4	7 1/8 - 6 7/8
D-Mark	5 1/8 - 5	5 1/8 - 5	5 3/8 - 5 1/4	5 7/16 - 5 5/16	5 1/2 - 5 3/8	5 15/16 - 5 13/16
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/8 - 5	5 3/8 - 5 1/4	5 5/8 - 5 1/2	5 7/8 - 5 3/4
French Franc	5 3/8 - 5 1/4	5 5/8 - 5 1/2	5 3/4 - 5 5/8	5 15/16 - 5 13/16	6 1/8 - 6	6 5/8 - 6 1/2
Portuguese Esc.	8 13/16 - 8 11/16	9 1/8 - 8 7/8	9 3/4 - 9 1/2	10 3/8 - 10 1/8	10 5/8 - 10 3/8	10 3/4 - 10 1/2
Spanish Peseta	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 3/4 - 7 5/8	8 1/16 - 7 15/16	8 1/2 - 8 3/8	9 3/4 - 9 1/2
Sterling	6 3/8 - 6 1/8	6 1/4 - 6 1/8	6 3/16 - 6 1/16	6 5/8 - 6 1/2	6 15/16 - 6 13/16	7 9/16 - 7 7/16
Swiss Franc	3 7/8 - 3 3/4	3 5/8 - 3 1/2	4 1/16 - 3 15/16	4 3/16 - 4 1/16	4 7/16 - 4 5/16	4 3/4 - 4 5/8
Can. Dollar	5 5/16 - 5 1/4	5 5/8 - 5 1/2	5 7/8 - 5 3/4	6 7/16 - 6 5/16	7 1/8 - 7	7 15/16 - 7 13/16
US Dollar	5 5/8 - 5 1/2	5 13/16 - 5 11/16	6 1/8 - 6	6 3/8 - 6 1/4	6 7/8 - 6 3/4	7 5/16 - 7 3/16
Italian Lira	8 - 7 1/2	8 3/4 - 8 1/4	8 5/8 - 8 1/2	8 13/16 - 8 11/16	9 5/16 - 9 3/16	10 - 9 7/8
Yen	2 3/8 - 2 1/8	2 3/8 - 2 1/8	2 3/8 - 2 1/4	2 3/8 - 2 1/4	2 1/2 - 2 3/8	2 7/8 - 2 3/4
Asian $Sing	3 7/8 - 3 5/8	4 3/8 - 4 1/4	4 7/16 - 4 5/16	4 5/16 - 4 3/16	4 11/16 - 4 9/16	4 13/16 - 4 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.63	93.65	-	93.66	93.62	60,858	325,150
Mar	92.78	92.75	-	92.79	92.73	167,164	484,071
Jun	92.18	92.15	+0.01	92.21	92.12	143,126	352,766

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	94.26	-	-	-	3,191	37
Mar	93.43	93.39	-	93.43	93.37	3,288	18,144
Jun	92.85	92.81	+0.01	92.85	92.76	438	4,079

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.69	4.865	2.011	5027	5.448	21.16	497.3	407.2	23.16	4.121	1.977	4.265	3.083	308.9	2.545
Denmark	(DKr)	52.53	10	8.766	2.555	1.056	2640	2.862	11.11	261.2	213.9	12.16	2.165	1.039	2.241	1.619	162.3	1.337
France	(FFr)	59.92	11.41	10	2.915	1.205	3012	3.265	12.68	298.0	244.0	13.88	2.469	1.185	2.556	1.847	185.1	1.525
Germany	(DM)	20.56	3.913	3.430	1	0.413	1033	1.120	4.350	102.2	83.70	4.760	0.847	0.407	0.877	0.634	63.50	0.523
Ireland	(I£)	49.72	9.466	8.298	2.419	1	2500	2.709	10.52	247.3	202.5	11.51	2.049	0.983	2.121	1.533	153.6	1.265
Italy	(L)	1.989	0.379	0.332	0.097	0.040	100.	0.108	0.421	9.894	8.100	0.461	0.082	0.039	0.085	0.061	6.145	0.051
Netherlands	(Fl)	18.36	3.494	3.063	0.893	0.369	922.7	1	3.884	91.29	74.74	4.250	0.756	0.363	0.783	0.566	56.70	0.467
Norway	(NKr)	47.26	8.997	7.887	2.299	0.950	2376	2.575	10	235.0	192.4	10.94	1.948	0.935	2.016	1.457	146.0	1.203
Portugal	(Es)	20.11	3.828	3.355	0.978	0.404	1011	1.095	4.254	100.	81.87	4.656	0.829	0.398	0.858	0.620	62.11	0.512
Spain	(Pta)	24.56	4.676	4.099	1.195	0.494	1235	1.338	5.197	122.1	100.	5.687	1.012	0.486	1.048	0.757	75.86	0.625
Sweden	(SKr)	43.19	8.221	7.207	2.101	0.868	2171	2.353	9.137	214.8	175.8	10	1.780	0.854	1.842	1.331	133.4	1.099
Switzerland	(SFr)	24.27	4.619	4.049	1.180	0.488	1220	1.322	5.134	120.7	98.80	5.619	1	0.480	1.035	0.748	74.95	0.618
UK	(£)	50.57	9.627	8.439	2.460	1.017	2542	2.755	10.70	251.5	205.9	11.71	2.084	1	2.157	1.559	156.2	1.287
Canada	(C$)	23.44	4.463	3.912	1.140	0.471	1178	1.277	4.961	116.6	95.46	5.429	0.966	0.464	1	0.723	72.42	0.597
US	($)	32.44	6.175	5.413	1.578	0.652	1631	1.767	6.863	161.3	132.1	7.511	1.337	0.641	1.384	1	100.2	0.826
Japan	(Y)	32.38	6.163	5.403	1.575	0.651	1627	1.764	6.850	161.0	131.8	7.497	1.334	0.640	1.381	0.998	100.	0.824
Ecu		39.29	7.480	6.557	1.911	0.790	1975	2.141	8.314	195.4	160.0	9.099	1.619	0.777	1.676	1.211	121.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6342	0.6343	+0.0006	0.6345	0.6317	31,865	73,909
Mar	0.6344	0.6356	+0.0006	0.6359	0.6331	10,435	42,036
Jun	0.6370	0.6386	+0.0006	0.6384	0.6370	45	1,664

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7484	0.7485	+0.0010	0.7491	0.7456	19,745	43,154
Mar	0.7518	0.7520	+0.0009	0.7525	0.7491	5,719	18,863
Jun	0.7540	0.7573	+0.0009	0.7570	0.7540	81	466

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9958	0.9994	+0.0040	1.0004	0.9943	22,648	55,694
Mar	1.0077	1.0087	+0.0040	1.0094	1.0040	11,744	45,297
Jun	1.0205	1.0216	+0.0040	1.0206	1.0193	243	1,500

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5620	1.5612	-0.0016	1.5620	1.5570	6,012	40,816
Mar	1.5602	1.5612	-0.0014	1.5624	1.5566	2,980	32,952
Jun	1.5600	1.5608	-0.0014	1.5600	1.5570	5	159

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.500	6.07	6.14	6.36	-	0.04	0.33
1.525	3.58	3.90	4.38	-	0.26	0.80
1.550	1.30	2.10	2.71	0.12	0.92	1.62
1.575	0.10	0.89	1.56	1.42	2.19	2.85
1.600	-	0.29	0.80	3.72	4.02	4.55
1.625	-	0.05	0.35	6.21	6.27	6.58

Previous day's vol., Calls 15,328 Puts 7,932 . Prev. day's open int., Calls 406,290 Puts 385,194

■ Pound in New York

Dec 9	—Close—	—Prev. close—
£ spot	1.5585	1.5636
1 mth	1.5604	1.5636
3 mth	1.5604	1.5639
1 yr	1.5600	1.5623

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

FT GOLD MINES INDEX

	Dec 9	% chg since 31/12/93	Dec 8	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1844.38	-17.4	1863.68	45.17	100.00	2.34	2367.49	1762.82
■ Regional Indices								
Africa (16)	2939.30	-11.1	2999.09	15.12	33.47	4.63	3711.87	2304.45
Australasia (7)	2231.41	-16.3	2313.83	5.73	12.68	2.32	3013.89	2171.68
North America (11)	1463.32	-21.4	1460.51	24.32	53.85	0.91	2039.65	1417.00

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Dec 9 : 227.6; week's change: +6.5 points; Year ago: 249.7

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	81.0	151	145	Ashbourne	151		WN3.0	3.1	2.5	13.9
100	F.P.	4.73	94	90 1/2	Asset Man Inv	94	+1	-	-	-	-
-	F.P.	65.6	159	133	Clydeport	159	+6	RN3.51	-	2.8	-
100	F.P.	20.4	130	101	Euclidian	102		-	-	-	-
141	F.P.	23.0	143	140	Euroven	140	-3	WN5.2	1.8	6.5	11.2
-	F.P.	468.0	495	468	Fidelity Spec Units	468	-10	-	-	-	-
100	F.P.	10.6	101	98	Finsbury Smlr C	98		-	-	-	-
$10	F.P.	37.5	625	615	First Russian Fr	625		-	-	-	-
100	F.P.	45.5	94	91	Fleming Nat Res	91		-	-	-	-
100	F.P.	30.0	106	98 1/2	For & Col Emrg C	104 1/2	-1	-	-	-	-
100	F.P.	30.3	102	98	Hoare Govett 1000	101	-1	-	-	-	-
80	F.P.	10.9	83	83	Hydro Intl.	83		RN-	-	-	33.8
-	F.P.	28.8	100	90	INVESCO Korea C	96		-	-	-	-
215	F.P.	69.0	232	229	JJB Sports	230		RN6.0	2.4	3.3	14.1
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
100	F.P.	43.0	94	82	Matheson Lloyds	85	+1	-	-	-	-
100	F.P.	57.9	92	88	Murray Emrg Econ	89	-1	-	-	-	-
-	F.P.	4.86	40	37	Do Warrants	37 1/2	-1 1/2	-	-	-	-
-	F.P.	15.4	145	145	RAP Group	145		RN4.65	2.1	4.0	11.3
120	F.P.	65.2	144	120	SeaPerfect	132 1/2		-	-	-	-
115	F.P.	235.0	135	117	TLG	132		WN3.5	2.0	3.3	19.0
170	F.P.	19.4	173	165	Tele-Cine Cell	165		RN5.44	2.2	4.1	11.4
182	F.P.	1,500.6	188	181	Telewest	182	-1	-	-	-	-
100	F.P.	17.8	102	102	Wellington Un.	102		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
190	Nil	25/1	30pm	29pm	Cowie	29pm	
295	Nil	5/1	80pm	34pm	Lord	40pm	-3
37	Nil	3/1	5pm	2pm	OMI	2pm	
285	Nil	6/1	57 1/2	30	Seton Health.	30	
25	Nil	16/1	4pm	1/4pm	Usborne	1/4pm	

UK INTEREST RATES

LONDON MONEY RATES

Dec 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 4 1/2	6 1/16 - 5 7/8	6 1/16 - 6	6 7/16 - 6 5/16	7 - 6 7/8	7 11/16 - 7 9/16
Sterling CDs	-	-	6 1/8 - 6	6 9/16 - 6 7/16	6 15/16 - 6 13/16	7 5/8 - 7 1/2
Treasury Bills	-	-	5 7/8 - 5 3/4	6 1/16 - 6	-	-
Bank Bills	-	-	6 - 5 7/8	6 1/8 - 6 1/16	6 5/8 - 6 1/2	-
Local authority deps.	6 1/16 - 5 15/16	6 1/16 - 6 1/16	6 1/16 - 6 1/16	6 7/16 - 6 5/16	6 15/16 - 6 13/16	7 11/16 - 7 9/16
Discount Market deps	7 - 5 1/2	6 1/4 - 6 1/8	-	-	-	-

UK clearing bank base lending rate 6 1/4 per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc. Ave. tender rate of discount 5.9058pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1994, Schemes II & III 7.28pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6 1/2pc from Dec 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 9	Dec 2		Dec 9	Dec 2
Bills on offer	£350m	£350m	Top accepted rate	5.9162%	5.8560%
Total of applications	£1451m	£2057m	Ave. rate of discount	5.9058%	5.8580%
Total allocated	£350m	£350m	Average yield	5.9939%	5.9428%
Min. accepted bid	£98.525	£98.540	Offer at next tender	£350m	£350m
Allotment at min. level	40%	97%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	6.25	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	●United Bk of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	6.25	Western Trust	5.75
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai.	6.25		
●Brown Shipley & Co Ltd.	6.25	Julian Hodge Bank	6.25	● Members of London Investment Banking Association	
CL Bank Nederland	6.25	●Leopold Joseph & Sons	6.25	* In administration	
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Meghraj Bank Ltd	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	* Mount Banking	6		
Credit Lyonnais	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	5.75		

BANK RETURN

BANKING DEPARTMENT	Wednesday December 7th, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,125,191,583	+1,035,829,943
Bankers deposits	1,577,006,439	+23,508,986
Reserve and other accounts	3,190,309,144	-881,478,903
	5,907,060,166	+177,860,026
Assets		
Government securities	1,019,809,789	-185,260,000
Advance and other accounts	4,386,770,475	+413,304,605
Premises, equipment and other secs	491,980,411	-48,048,212
Notes	8,330,344	-2,112,216
Coin	169,147	-24,451
	5,907,060,166	177,860,026
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,911,669,656	+332,112,216
Notes in Banking Department	8,330,344	-2,112,216
	18,920,000,000	330,000,000
Assets		
Other Government securities	12,535,367,399	+1,137,142,302
Other Securities	6,384,632,601	-807,142,302
	18,920,000,000	+330,000,000

UK GILTS PRICES

[illegible]

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Govt Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Predecessor Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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هكذا من الأصل

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

BANKS

CHEMICALS

ELECTRONIC & ELECTRICAL EQPT - Cont.

EXTRACTIVE INDUSTRIES - Cont.

HEALTH CARE - Cont.

INVESTMENT TRUSTS - Cont.

HOUSEHOLD GOODS

DISTRIBUTORS

BREWERIES

ENGINEERING

INSURANCE

BUILDING & CONSTRUCTION

INVESTMENT TRUSTS

DIVERSIFIED INDUSTRIALS

FOOD MANUFACTURERS

BUILDING MATS. & MERCHANTS

ELECTRICITY

GAS DISTRIBUTION

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING, VEHICLES

HEALTH CARE

EXTRACTIVE INDUSTRIES

هكذا من الاصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		234	—	Q375c	1.9	Oct Apr	3'93	–
Barlow	‡	557½	4.1	Q58c	ф	Jan Jul	20.6	–
Gold Flds Prop R		118xa	—	Q52c	ф	Feb Sep	31.1	–
NK Props.		95	—	Q87.1c	–	Feb Sep	10'93	–
SASOL	♥	490	2.5	Q70c	–	Oct	9'93	–
SA Brews	†	£14½xd	-2.0	Q163c	2.2	Jan Dec	21.11	–
Tiger Oats		763	4.8	Q55c	ф	Jan Jul	6.6	–
Tongaat-Hulett	†h	725xc	—	Q80c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ‡ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. x Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Redaurum (Extractive Inds) and Churchill China (Household Goods). Deletions: Gopen Berhad (Bldg & Construction).

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4 pm close December 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17¾	11⅞	AAR	0.48	3.8	22	123	12⅞	12⅛	12⅛	
18½	12⅝	A L Labs A	0.18	1.1	37	142	16½	16½	16½	
79⅞	57⅝	AMP	1.68	2.4	21	2178	69⅝	69½	69⅝	+⅜
72¾	46⅛	AMR			105	6070	50¼	48⅝	49⅞	+1⅛
5	3⅛	ARX			12	95	3⅜	3¼	3¼	
56⅛	38⅝	ASA	2.00	4.7	28	239	42⅞	42⅝	42⅞	
33	25⅞	Abbott	0.76	2.4	17	7773	31⅝	31	31½	
15¼	11⅜	Abitibi Pr	0.50	3.8	12	274	13⅜	13⅛	13¼	
23⅝	17¾	ABM Ind	0.52	2.4	13	30	21½	21⅜	21½	+⅛
18	11⅛	Acceptance			10	28	13¾	13½	13½	-¼
31	20¾	ACE Ltd	0.44	2.0	21	230	22⅛	22	22	-⅜
12½	8	ACM Gvt In x	1.09	11.7	8	379	9⅜	9¼	9⅜	
10⅛	6⅞	ACM GvOpp x	0.80	11.4		110	7	6⅞	7	
10⅝	6¾	ACM Gvt Sc x	0.96	13.0		602	7½	7¼	7⅜	-⅛
12	7⅝	ACM Gvt Sa x	1.09	12.5		926	8¾	8½	8¾	
11¾	7⅞	ACM Man x	1.08	12.9		101	8⅞	8¾	8⅞	
9¾	8	ACM Manspl x	0.72	8.7		138	8¼	8⅛	8¼	
15½	8¾	AcmeCly	0.44	3.9	23	103	11⅜	11⅜	11⅜	-⅛
13⅞	8½	Acme Elect			12	102	12½	12¼	12¼	-⅛
30	23	Acordia	0.60	2.0	15	15	30	29¾	29¾	-⅛
13¾	5⅞	Actava	0.36	4.1	2	154	9	8⅝	8⅝	
18⅜	11¼	Acuson			25	272	15½	15¼	15½	
18⅜	15½	Adams Expr	0.88	4.4	0	242	15⅝	15½	15½	

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NYSE COMPOSITE PRICES

4 pm close December 9

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 9

AMEX COMPOSITE PRICES

4 pm close December 9

FT GUIDE TO THE WEEK

12 MONDAY

Rabin visits Tokyo

Israeli prime minister Yitzhak Rabin (left) visits Tokyo – the first visit to Japan by an Israeli premier. While in Japan, Mr Rabin is expected to sign two agreements: one on cultural exchanges and another on co-operation in science and technology. The visit is expected to herald a landmark in new relations between the two states after years when Japan took a pro-Arab line because of its overwhelming dependence on Arab oil. On Wednesday, Mr Rabin travels on to South Korea.

Swiss and European Commission officials begin bilateral negotiations this morning on matters that would have been settled if the Swiss people had agreed two years ago to join the European Economic Area.

Talks will initially focus on relatively easy issues: mutual relations in research, public procurement and elimination of trade restrictions. But Brussels will insist that the Swiss cut farm subsidies to European Union levels and allow EU nationals freedom of movement in return for giving Swissair equal access to the EU open skies. The talks are unlikely to advance quickly.

Peace talks aimed at ending the five-year-old war in Liberia resume today in the Ghanaian capital, Accra. In attendance are the member states contributing to the West African peacekeeping force, Ecomog, which is dominated by about 10,000 Nigerian troops. The August 1993 Cotonou peace accord between the provisional government and the rebel leader Charles Taylor failed to achieve disarmament.

A recent UN mission to the region expressed concern at the deteriorating security in Liberia which, apart from the capital Monrovia, is in the hands of a growing number of rival militias.

European parliament begins a plenary session in Strasbourg (to Dec 16). It will review the results of last week's Essen summit, consider a report on the work of the outgoing German presidency, and is expected to give its assent to the Gatt Uruguay Round.

A ticklish issue today is the integration of Spain and Portugal into the EU fisheries policy, as Spain is threatening to block the accession to the EU of Austria, Finland and Sweden unless restrictions on the Spanish fleet are lifted.

Bangkok: The United Nations International Drug Control programme sponsors a world non-governmental organisation forum on drug demand reduction.

Holidays: Kenya, Mexico, Thailand (Constitution Day), Venezuela.

13 TUESDAY

Decision on Efta's future

The future of the shrinking European Free Trade Association will be decided by ministers in Geneva (to Dec 14). Efta will be reduced to four members – Norway, Switzerland, Iceland and Liechtenstein – when Austria, Finland and Sweden join the European Union in January. Switzerland is the only Efta member outside the European Economic Area.

Islamic summit: Leaders of the 51-member Islamic Conference Organisation meet in Casablanca for their seventh summit. The talks are likely to be dominated by the Bosnia crisis and by the desire of many members to counter the image in the west of Islam as a religion dominated by fundamentalists. The issue of Jerusalem and the progress of Middle East peace talks will also be high on the agenda.

Ethiopia's central supreme court in Addis Ababa starts the trial of leading members of the country's former regime. Exiled ex-president Mengistu is to be tried in absentia.

BCCI: A planned settlement for creditors of the failed Bank of Credit and Commerce International, put forward by the liquidators Touche Ross, goes before the courts in London. Further ratification of the deal, based on a $1.8bn contribution from the government of Abu Dhabi, is needed in Luxembourg and the Cayman Islands. An earlier deal fell on appeal in Luxembourg.

Israeli and Palestinian negotiators in Cairo resume stalled talks on arrangements for eventual Palestinian elections in Gaza and the West Bank. The talks will centre on Palestinian demands that Israel proceed immediately with redeployment of its troops from population centres in the West Bank. Israel, citing security worries, has said it wants to examine whether it would be possible to proceed with elections without large scale redeployment.

Ireland's parliament is due to reconvene to vote on a new government. Last week talks broke down between Fianna Fail and Labour, the outgoing coalition partners. The most likely alternative is a coalition between Fine Gael, the main opposition party, Labour and one of the smaller parties. If talks fail again, Ireland will face a general election.

New Zealand's Reserve Bank is due to publish its six monthly monetary policy statement, and most analysts expect it to be cautionary.

Saleroom: Relics of the Battle of Trafalgar are offered at Sotheby's in London, when the Earl of Northesk sells mementoes of his ancestor, Admiral Lord Northesk, third-in-command at the Battle. Among the items are a letter from Lord Nelson giving Northesk the order of battle, and a gold naval medal, one of three awarded after Trafalgar and the only one still in private hands.

14 WEDNESDAY

Nato mulls Bosnia options

Nato defence ministers begin a two-day meeting with the question of contingency planning for a possible withdrawal of UN troops from Bosnia high on the agenda. Diplomats expect US defence secretary William Perry to be pressed hard on the question of how big a force Washington would provide in the event that Nato has to cover UN forces during a contested pullout.

Al Gore, US vice president, visits Russia (to Dec 16) for a meeting of the Gore Chernomyrdin Commission, the group designed to boost commercial ties between the US and Russia. It has also become a vital back channel between Moscow and Washington for sensitive non-commercial matters.

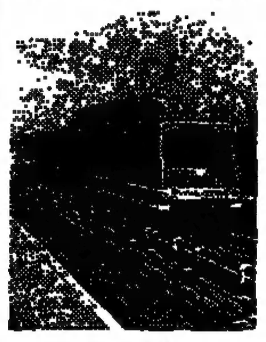
Belfast hosts an international investment conference, aimed at attracting business to Northern Ireland in the wake of the paramilitary ceasefires. The conference, to be opened by John Major, UK prime minister, and attended by Ron Brown, US commerce secretary, is expected to be attended by about 50 foreign companies.

Sweden's prime minister, Ingvar Carlsson, starts his first visit to Finland since returning to power in September (to Dec 15). Top of the agenda in Helsinki will be the entry of both countries to the European Union next year.

Germany hosts the third round of talks on the so-called stability pact, a European Union initiative to help prospective members in eastern Europe resolve bilateral disputes about borders and the status of ethnic minorities.

Gatt: The French National Assembly is due to ratify the Gatt world trade agreements on Wednesday, though the French government is still hoping that when the European Council of Ministers comes to approve Gatt next week it will adopt new Commission proposals to stiffen European defences against unfair commercial practices.

London's transport:



The closing date for bids to build the £100m-£130m privately financed extension of the Docklands Light Railway across the Thames to south-east London. At least five consortia, some international, are likely to submit preliminary bids. The contract is expected to be awarded next autumn.

UK economy: Kenneth Clarke, chancellor of the exchequer, will be hoping for good news from today's clutch of economic statistics. The headline annual inflation rate is expected to have stuck at 2.4 per cent in November, while unemployment is forecast to have fallen by a further 30,000.

Pressure is growing for John Major to agree to a referendum on European integration

15 THURSDAY

Loyalists in Ulster talks

Ulster loyalist representatives are due to open exploratory talks with British officials in the first step towards inclusive talks with the other constitutional parties involved in the search for a settlement.

UK by-election: Polling takes place in the constituency of Dudley West, with the opposition Labour party hoping to take the seat from the ruling Conservatives for the first time since 1979. At the last election, the Conservatives had a majority of 5,789.

Sweden's Social Democratic government is due to decide whether to order the raising of the ferry Estonia, which sank in September with the loss of more than 900 lives. The maritime authorities say it is technically possible and many relatives of the dead are pressing for the ship to be lifted. But the huge cost, proposals to declare the wreck a sea grave and advice from divers that many bodies can be recovered without a full salvage may persuade the government not to proceed.

The Bank of France unveils monetary policy goals and targets for 1995 which are expected to be roughly in line with those of 1994. The central bank, which a year ago was made independent of the government in monetary policy, has said its priority is to maintain stability of prices and of the franc.

FT Surveys: Charity Fund investment and Arab Banking.

16 FRIDAY

Mercosur leaders convene

The four presidents of the Mercosur customs union of Brazil, Argentina, Paraguay and Uruguay arrive in the Brazilian city of Ouro Preto for their last meeting before the agreement comes into force on January 1.

They are likely to finalise details of the customs union, decide which products are to be exempted from a common external tariff, and may also discuss recruiting further members.

Greece's finance minister Alex Papadopoulos presents his 1995 budget to parliament. Despite calls by the European Commission for revenue-raising measures, the budget contains no new taxes. It hopes to boost revenues almost 20 per cent through a crackdown on tax evasion by Greece's 800,000 self-employed workers.

Finland's pulp and paper industry, its biggest export earner, faces an all-out strike unless efforts to arbitrate a settlement of the trade unions' annual wage claim are successful.

Bank of Japan governor Yasushi Mieno retires, to be succeeded by Sakura Bank chairman Yasuo Matsushita, who is expected to continue Mr Mieno's cautious monetary policy.

FT Surveys: Slovak Republic and World Commercial Vehicles.

Holidays: Bahrain (National Day), Bangladesh (Victory Day), Kazakhstan (Republic Day), South Africa (Day of the Vow).

17-18 WEEKEND

Gulf foreign ministers meet

Foreign ministers of the six Gulf Co-operation Council states, Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Oman and Qatar, meet in Manama, Bahrain, on Saturday to discuss the agenda for the annual GCC heads of state summit at the end of the month. This is likely to focus on joint security arrangements for the Gulf.

South Africa's African National Congress, the dominant party in the country's government of national unity, begins a five-day national conference in Bloemfontein on Saturday. The conference, the party's first since 1991, is expected to formulate a new set of official policies on everything from housing to foreign affairs. Closely watched will be elections for party officers, in particular whether incumbent secretary-general Cyril Ramaphosa, a possible successor to President Nelson Mandela, will stand for re-election.

Bulgaria faces early general elections on Sunday, which are expected to end the country's political crisis. An early poll follows the refusal of the two biggest parliamentary groups, the Socialists and the Union of Democratic Forces, to form a government to replace the non-party cabinet of technocrats which resigned in September. Recent opinion polls indicate that the Socialists could emerge from the elections as the largest single party.

Compiled by Patrick Stiles and Ian Holdsworth. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK producer price figures will give a further clue to inflationary pressures. Manufacturers' input prices are forecast to be up 7.5 per cent in the 12 months to November, but the markets will watch more closely what has happened to output, or factory gate, prices. The annual rise of this measure is expected to be a more muted 2.5 per cent.

Tuesday: The Confederation of British Industry's distributive trades survey will be the week's first clue to consumer confidence. The survey relates to November; since then, the retail sector has had to absorb both the Budget and last week's interest rate rise.

Thursday: Official figures on November's retail sales are published today.

Friday: Having achieved a surprising surplus in October, the UK's public sector borrowing requirement is expected to slip back to a £2bn deficit in November. The markets were disappointed that the Chancellor only cut the 1994-95 forecast to £34.5bn in the Budget.

Also published today will be the CBI's industrial trends survey, which is closely watched by the Bank of England, particularly with regard to price intentions.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Nov consumer prices indx prelim**	1.8%	1.7%
Dec 12	UK	Nov producer prices indx input*	0.3%	0.1%
	UK	Nov producer prices indx input**	7.5%	7%
	UK	Nov producer prices indx output*	0.2%	0.1%
	UK	Nov producer prices indx output**	2.5%	2.3%
	UK	Ditto, ex-food, drink, tobacco**	2.4%	2.3%
Tues	US	Nov retail sales	0.5%	1.1%
Dec 13	US	Nov retail sales ex-auto	0.4%	0.6%
	US	Nov producer prices indx	0.4%	-0.5%
	US	Ditto ex-food and energy	0.4%	-0.5%
	US	Nov Atlanta Fed indx	-	21%
	US	Johnson Redbook, w/e Dec 10	-	-0.3%
	Japan	Oct machine ord ex-power & ships*	-5%	1%
	Japan	Oct machine ord ex-power & ships**	14.2%	0.7%
	Japan	Nov wholesale price indx**	-1.3%	-1.4%
	Germany	Nov wholesale price indx*	0.1%	-0.3%
Wed	US	Nov consumer prices indx	0.3%	0.1%
Dec 14	US	Ditto ex-food & energy	0.3%	0.2%
	US	Nov industrial production	0.5%	0.8%
	US	Nov capacity utilisation	84.8%	84.6%
	US	3rd qtr current a/c	-	-$37bn
	US	Nov real earnings	-	1.5%
	UK	Oct retail price indx*	-0.1%	0.1%
	UK	Oct retail price indx**	2.4%	2.4%
	UK	Ditto ex-mortgage int payments	2.1%	2%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Wed	UK	Nov unemployment rate	-30,000	-45,800
Dec 14	UK	Oct average earnings	3.75%	3.75%
(cont)	UK	Oct unit wages 3m**	-1.2%	-1.4%
Thur	US	Initial claims w/e Dec 10	320,000	322,000
Dec 15	US	State benefits w/e Dec 3	-	2.59m
	US	Oct business inventories	0.5%	0.5%
	US	Nov M2	$2.7bn	-
	Japan	Nov money supply (M2+cash dep)**	2.6%	2.4%
	Japan	Nov broad liquidity**	-	3.5%
	UK	Nov retail sales*	0.2%	0.1%
	UK	Nov retail sales**	3.1%	3.1%
Fri	US	Nov housing starts	1.44m	1.42m
Dec 16	US	Nov building permits	-	1.4m
	US	Dec Michigan sentiment, prelim	-	91.6
	Japan	Oct industrial prod†	-	-1.3%
	Japan	Oct shipments†	-	-2.8%
	Japan	Nov trade balance	$8bn	$9.3bn
	UK	Nov public sector borrowing req	£2bn	-£558m
	Canada	Nov consumer prices indx, all items*	0.2%	
During the week...				
	Japan	Nov trade bal'ce (custom cleared)**	-	$7.4bn
	Germany	Oct retail sales, pan-Germany	-0.8%	-1%
	Germany	Oct retail sales, West**	0.5%	-1%
	Italy	Oct producer prices indx**	-	3.7%

*month on month, **year on year, †seasonally adjusted *Statistics, courtesy MMS International.*

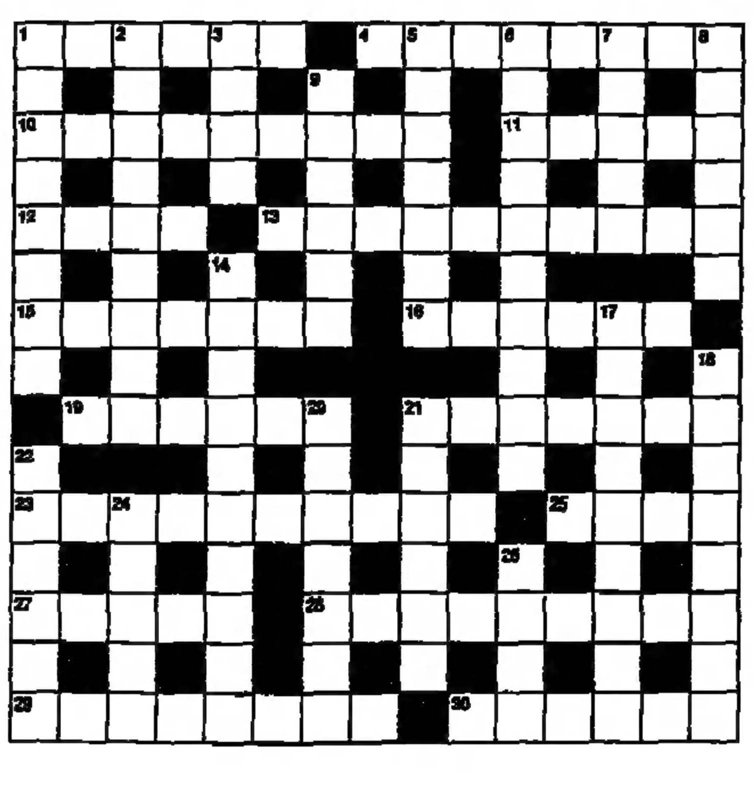
MONDAY PRIZE CROSSWORD

No.8,634 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 22, marked Monday Crossword 8,634 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Wednesday December 28.

Name.........

Address.........



ACROSS

1 A skilled worker is less likely to feel fatigue (6)
4 Goes on results (8)
10 Support for a fishermen's club? (5-4)
11 A patient assistant (5)
12 Returned at one clutching love letter (4)
13 "The law is the true......of everything that's excellent (Gilbert) (10)
15 There's general chaos, one gathers (7)
16 Certain military personnel go - and come back (6)
19 Port is for the large and lean (6)
21 Checking parking available before dressing (7)
23 Working dogs, exceptional triers, surrounding 3 (10)
25 Cliff damage (4)
27 Such a plea is out of place (5)
28 Good grounds to set a limit on the beer intake (9)
29 Held in check - but note the warning sign! (8)
30 Being decent, he acts differently (6)

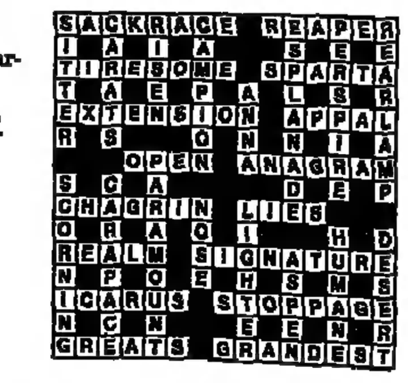
DOWN

1 Hot duck – or some other bird (8)
2 The tension thing sets characters at odds (9)
3 Always in fashion for the very conventional (4)
5 Resentment exhibited by sound serving man (7)
6 Belief in imprisonment (10)
7 Strange oriental backing up Ireland (5)
8 Covering small uncultivated area (6)
9 Starchy monarch's elementary introduction (6)
14 Imprecisely specified diet, fine in building up (10)
17 Traitor's holding in the company – a form of personal protection (9)
18 Trouble change-giver in time (8)
20 Unlike many single lines (7)
21 A thief who makes coppers really angry (6)
22 Unqualified – ran into craft (6)
24 Oliver the screw (5)
26 To call for silence would be nonsense (4)

Winners 8,622

P. Read, Lysaker, Norway
Phyllis Angel, Denton, Kent
E.A. Dumont, Rhiwbina, Cardiff
R. Miron, London W2
Mrs D. Pennick, London SW1
K.V. Robinson, Edinburgh

Solution 8,622



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